



Orleans Parish School Board

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Darryl C. Kilbert, Superintendent

June 24, 2009

Mr. Woody Koppel, President and
Members of the Orleans Parish School Board
3520 General de Gaulle Drive
Suite 5055
New Orleans, Louisiana 70114

Dear Mr. Koppel and Members of the Board:

It is our pleasure to submit for your review and approval the Orleans Parish School Board (OPSB) General Fund budget for the 2009-10 year.

While we have made substantial progress, OPSB continues to deal with the financial challenges resulting from state legislative statutes that have not been adjusted to accommodate the revised landscape for public education in Orleans Parish and in the State of Louisiana. This landscape leaves OPSB with all the responsibilities of the Local Education Authority (LEA) but strips the District of the financial resources necessary to adequately fulfill these responsibilities.

The 2009/10 general fund budget as presented reflects:

- A balanced budget utilizing an appropriation of \$6.7 million from fund balance. The represents a \$7.6 million reduction from the 2008/09 fund balance appropriation. The major portion of this appropriation is directly attributable to \$5.7 million in ongoing legacy costs. The remainder is attributable to a \$2.7 million funding inequity between local revenue share paid to charters versus local revenue share retained by OPSB.
- A reduction in force of 19.5 central office personnel and 40 school site employees.
- Elimination of PM high school. For fiscal 2009/10 these students will be served through alternative programs offered at McDonogh 35 and McMain High Schools.
- An \$8.5 million reduction in budgeted operating expenses from 2008/09 levels.
- A continued transition from central office to school site based management.
- No funds available for the settlement of settled and pending legal judgments.

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Key challenges impacting our 2009/10 budget include:

Funding Inequity

Based on the 2009/10 Minimum Foundation Program (MFP) funding submitted to the State Legislature for approval, OPSB will be required to remit to charters \$4,583 from current year local revenues (ad valorem and sales taxes). The per pupil local revenues projected for 2009/10 is \$4,198. This \$385 per pupil difference, applied to the estimated 7,156 students in OPSB charters results in OPSB remitting to charters \$2.76 million in excess of the projected per pupil revenues. This adversely impacts the funds that are available to provide service to students in direct operated OPSB schools.

Reduced Funding

State

Due to State of Louisiana financial challenges, the state MFP is being funding for fiscal 2009/10 on a no growth basis. In addition, state grants that originally funded mandated programs such as LEAP and GEE remediation have been eliminated from the state budget. However, OPSB is still required to comply with these mandates.

Local

Orleans Parish continues to experience a decline in local sales taxes. In fiscal 2007/08 OPSB's actual sales taxes collections totaled \$88.5 million. Sales tax projections for fiscal 2009/10 (before required distributions to debt service, RSD and charters) are \$80.6 million. This continued reduction adversely impacts funding for all public school students in Orleans Parish. This combined with the inequitable distribution discussed earlier has a compounded impact on OPSB.

Inability to Grow Student Base

OPSB schools are at or near capacity and are unable to grow revenues through additional students. To date requests to BESE for additional schools or for additional physical capacity to increase existing schools have not been successful.

Absent additional physical capacity or schools being returned to OPSB, student growth in Orleans Parish will occur primarily in Charter and Recovery School District schools. This limits OPSB's ability to grow revenues and will adversely impact the local revenues retained by OPSB.

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Legacy Costs

We continue to deal with the challenges created by a combination of Act 35, Katrina and the formation of Charter schools. This model has left OPSB a much smaller organization with responsibility for five (5) direct-operated schools/programs and oversight of 12 charters. While smaller, OPSB was left to fund the legacy debt of a much larger system that supported in excess of 100 schools and some 7,000 employees. . We continue to be burdened with ongoing retiree health insurance, litigation and claims, and workers compensation claims of a much larger system and attempts to obtain legislative relief for these costs have been unsuccessful. These costs consume approximately 31% of OPSB's 2009/10 general fund state and local MFP revenues, not including the administrative costs associated with managing these issues.

Competition

The model of Charters, the Recovery School District and OPSB is also creating challenges, including competition for students, qualified teachers and administrative staff and competition for the limited revenues sources available for public education in Orleans Parish. While this competition is largely friendly among the involved organizations, it results in an increased cost structure for education in Orleans Parish and, operating as separate smaller organizations, it reduces the purchasing power available to a large organization. OPSB continues to experience increases in employee benefits and other operating costs as a result of this reduced purchasing power.

Increased Costs

Like other organizations, we continue to experience increased costs. Rising fuel costs are significantly impacting our student transportation, utility and delivery costs of products. Student transportation alone consumes approximately 14% of the total MFP. Employee benefit and other costs also continue to rise. Retiree health is projected to increase at 10% for 2009/10.

Non Public Transportation

While not reflected in the current budget, OPSB has been presented with the challenge of providing transportation to non public school students. Discussions continue with Department of Education personnel and representative of the non public organizations to arrive at a solution to this issue that does not adversely impact OPSB.

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Property Insurance on Charter Facilities

OPSB is the property owner of facilities provided to Charter schools. OPSB bears the burden of providing the property insurance on these facilities. Under current funding laws, it has no means of recouping this cost for state or local revenues. This adversely impacts the OPSB budget by \$1.1 million.

Summary

Unfortunately, the 2009-10 funding is not sufficient to adequately address the many challenges facing OPSB. To budget to the available resources, we have made and will continue to make difficult choices at our schools and in administration, including reductions in force and other cost control activities. During the year as conditions change and as projected student counts are adjusted to actual, we must be prepared to adjust to the changes and to look for opportunities for cost savings.

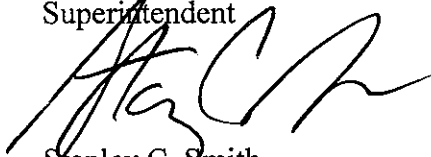
Our challenges and particularly the legacy costs make it difficult to develop a balanced budget based solely on current year revenue. To ensure that we accomplish our objectives, we are recommending a budget that draws \$6.7 million from General Fund Balance. Excluding legacy costs and the funding inequity, this budget reflects an excess of revenues over expenditures of \$1.7 million.

We look forward to working with each of you to ensure we provide a quality educational environment for all students.

Regards,



Darryl C. Kilbert
Superintendent



Stanley C. Smith
Chief Financial Officer