

Questions & Answers: Baldwin County Public Schools Funding Crisis and the March 23, 2010 Penny Tax Referendum

Q: What is at risk if the penny tax does not pass?

A: There will be increased risk to student life, health and safety because even more teachers and employees who care for our children will be terminated. More than 400 teachers and employees could lose their jobs if funding does not come, which will lead to even more students in already overcrowded classrooms. The school system will no longer be able to provide adequate transportation services, and the ability to keep buses in working order will be further impaired. Academic programs will also greatly suffer. To be clear, all jobs are at risk as the Alabama Fair Dismissals Act and State Tenure Law clearly indicate that even tenured and non-probationary positions can be eliminated when there are no dollars to fund them. If the penny tax is not passed, there will be no or little dollars to pay teachers to coach or to lead fine arts programs. The Board of Education has adopted a Strategic Plan for Survival and Recovery. Projected losses in personnel at each school and feeder pattern are also available at www.bcbe.org/crisis.

If the penny tax does not pass the school system will be deeper “in the red”, accumulating debt that will take years to overcome: approx. \$5 million at the end of the 2009-10 school year, approx. \$17 million at the end of 2011-12 and approx. \$31 million at the end of 2012-13. It would take years, perhaps an entire generation of students, to dig out of that catastrophic financial hole. Even when the economy turns around, the system would be spending money to repay debt, not on student achievement. It's a predicament we can ill afford.

Q: Is this a permanent tax?

A: No. By law and per the referendum's language, this tax will expire in three years (36 months). A one cent sales tax equals one penny per dollar. For example, if you spend \$100 dollars at the grocery store, the school tax equates to one dollar.

Q: How much revenue will the penny tax generate and will the revenue remain in Baldwin County?

A: One-hundred percent of the penny tax stays in Baldwin County. The penny tax will provide approximately \$25 million a year for each of its three years. The additional revenue will not totally solve our crisis, but will help us avoid additional cuts at the local school level, allow the district to maintain more services for our schools, and allow school fine arts and athletic programs to remain in place. Some critical teachers and school level support staff positions could also be reinstated where warranted. State law also requires the district to rebuild its fund balance to meet State regulations.

Q: What happened to cause the financial problems for Baldwin schools?

A: The problem facing Baldwin County is one of reduced funding, not increased or inefficient spending. Within a 24 month period, funding for the school system has been reduced in excess of \$61 million due to declining local and state revenues. This is an unprecedented amount. Additional cuts in state funding are likely. Baldwin County has always been focused on maximizing all funding received. This is evidenced by Baldwin County having the 5th lowest administrative expenditure among Alabama's 131 school districts. BCBE's administrative expense is 2.0%; the state average is almost twice that amount at 3.94%. (Based on the most recent (2008) Report Cards published by the Alabama State Dept of Education.)

Schools in Alabama are primarily funded by sales and income tax. In a recession people spend less, so retail sales fall. People also lose their jobs so they pay less income tax. As a result, there is not enough money taken in by the state to meet budget requirements. When this happens, the governor declares that the budget must be reduced – or prorated – so that it is in line with available dollars. These budget cuts are passed along to local school systems.

Q: Isn't the school system supposed to have a savings account or fund balance?

A: Yes. The state requires school systems to have a general fund balance equal to one month's operating costs. A recent report by the Alabama State Department of Education shows approximately half of the state's school systems, including Baldwin County, have little or no reserve. Our school system had more than \$22 million in its fund balance in October 2008. Since then the state has reduced funding 11%, 2% (both in Fiscal Year 2009) and 7.5% (FY2010). After these severe cuts, the fund balance was used to help save school level positions and to sustain vital operations. Teachers who are under contract cannot legally be terminated mid year. When state funding is reduced through proration, the school system's local fund balance must be used to make up the shortfall.

Q: Couldn't the school system have paid teachers and employees with the money it used to build new school buildings?

A: No. Capital construction dollars cannot be used for salaries or operational costs of the school system. Baldwin County Public Schools added more than 1.3 million sq. feet of new educational space through two bond issues totaling \$150 million. Our school system is one of the fastest growing systems in the state. Before the building initiative, students were housed in more than 225 portable classrooms throughout the district. The

number of portable classrooms has been reduced nearly 75%, significantly reducing the district's monthly rental costs and offering Baldwin County students improved facilities. The school system, however, continues to grow (the district's student enrollment increased by 700+ this school year compared to last) so additional revenue to address our increased needs is imperative.

Q. Couldn't the "enhancement money" of \$1 million per feeder pattern, totaling \$7 million, included in the 2007 bond issue, have been used for instruction or to pay employees?

A: No. Enhancement money was part of the capital construction bond issues which are restricted to capital construction and which cannot be used to pay for salaries or normal operating costs. Communities embraced the enhancement money and in many instances, added dollars of their own to partner with the school system. Cities, educational enrichment foundations and other partners contributed to the projects to give students and the community more than \$16 million in new resources, magnifying the school system's \$7 million investment.

Q. Couldn't the Central Office be cut more?

A: The Alabama State Department of Education ranks the Baldwin County School System in the top five school systems out of 131 with the most efficient administrative costs and this calculation was done before massive cuts to central operations.

The central office is responsible for Transportation, Bus Maintenance and Repair, Building Maintenance, Nursing & Health Services, Business and Finance Operations, Child Nutrition Administration, Instructional and Special Services, Drop-Out Prevention, Student and Teacher Safety, Employee, Parent and Community Communication, Information Technology Services and Human Resources. All central office support employees who had less than three years of service have been terminated, with the exception of two who were retained due to the criticality of their positions. Some central office employees have been transferred to local schools to fill vital roles left vacant by support workers who were laid off. Since October 2008, the central office staff has been cut 18% and school-level workforce has been cut 13%. Service budgets based out of the central office have been cut 60% greatly limiting the system's ability to maintain buses, clean school buildings, and to maintain student and employee services. Some central office departments have lost more than one-third of their staff. (For a list of losses to date, see www.bcbe.org/crisis)

Q. Why should I vote for the penny tax when I don't have a child in the school system?

A: The quality of life in our county hinges on great schools. Corporations and industry focus on the quality of the school system as a primary factor in their decision on location. If the penny tax does not pass, the quality of the Baldwin County Public Schools will be jeopardized to the point of negatively influencing prospective residents and businesses, resulting in a negative impact to the county's economy.

Q. Isn't property tax a better way to fund schools and shouldn't relief be sought for the "10 mil match equity funding" issue?

A: Yes, property taxes are generally less susceptible to the whims of the economy. But "the schoolhouse is on fire and there's no time to dig a well", meaning a rework of the property tax structure and resolving equity funding issues are long term initiatives that the school system does care about and is addressing. All of the money raised by the penny tax will stay in Baldwin County!

Q. What accountability does the school board have with the handling of finances?

A: The school system is audited annually by the Department of Examiner's of Public Accounts. Audit reports and financial information are readily available for public review at www.bcbe.org. State law requires school systems to submit information to the Alabama State Department of Education on a monthly and annual basis. The school system has always committed to full accountability and transparency and will continue to do so in the expenditure of the proceeds from the penny tax.

Q. Why does Baldwin County Public Schools employ locally-funded teachers and employees?

A: It's been a well publicized fact for many years that the State of Alabama does not adequately fund public education. Baldwin County has chosen to use local revenue to hire additional teachers, nurses, computer aides, aides for special needs children, social workers and other support personnel in order to achieve educational excellence. Even with some locally funded positions still in place in Baldwin County (January 2010), classrooms are overcrowded, some schools are without nurses and there are not enough mechanics to service buses, just to name a few shortfalls. AdvancEd/Southern Association of Colleges and Schools (SACS) praised the school system's commitment to world class education and the investment it had made in people resources to achieve that goal. The school system was awarded district accreditation in May 2009. (Fewer than half of the districts in Alabama have achieved this significant milestone.) District accreditation will be at risk if material changes are made to the academic program and/or the school system is not able to achieve the tasks given by the accreditation committee.

**For more information: www.bcbe.org/crisis
Send questions to: questions@bcbe.org**