

The Gwinnett County Board of Education's Fiscal Year 2018 (FY2018) budget, as recommended by CEO/Superintendent J. Alvin Wilbanks, is presented within this document. This budget represents an investment plan for Gwinnett County Public Schools (GCPS), its students, employees, and the community as a whole. The budget recommendations are tied directly to the vision and strategic direction of the Board of Education.

The proposed Total Budget for FY2018 is approximately \$2.092 billion, representing an increase of 1.8% from the current FY2017 Total Budget. The proposed budget for the general operations of the school district is reflected in the General Fund at \$1.595 billion, an increase of 3.6% over the current year. The individual funds and the changes from Fiscal Year 2017 are summarized below:

Funds Comprising the Total Budget	FY2018 (In Millions)	FY2017 (In Millions)	Dollar Change (In Millions)	Percentage of Change
General Fund	\$ 1,595.2	\$ 1,540.4	\$ 54.8	3.6%
Special Revenue Fund	80.3	90.9	(10.6)	(11.7%)
Capital Projects Fund	149.9	153.2	(3.3)	(2.2%)
Debt Service Fund	161.9	165.2	(3.3)	(2.0%)
Enterprise Fund	93.1	93.0	0.1	0.1%
Internal Service Fund	<u>11.2</u>	<u>11.2</u>	<u>0.0</u>	0.0%
Total Budget	\$ 2,091.6	\$ 2,053.9	\$ 37.7	1.8%

This investment plan for FY2018 accommodates a student population that is projected to grow by 1,972 students, bringing the district enrollment for the 2017-18 school year to more than 180,100 students.

State Revenue

The proposed FY2018 budget was developed for Gwinnett County Public Schools prior to the conclusion of the 2017 legislative session and final approval of the state budget. Therefore, the Governor's most current state budget recommendations at the time of budget development were used as the basis for the proposed local budget.

- GCPS will receive an additional \$52.6 million over FY2017 in Quality Basic Education (QBE) funding through the following formula allocations:
 - *Austerity Reduction* - For the past three consecutive years the state budget included funds that provided continued relief to the "austerity reductions" that began in FY2003. The additional state funding enabled school districts to eliminate teacher furlough days, increase instructional days, and/or increase teacher salaries. For FY2018, however, the "temporary QBE reduction" for GCPS will remain the same as in FY2017 at approximately \$17.4 million. The cumulative effect of these reductions to the school district over the 16-year period is the loss of just under \$900 million in state funding.

- *Equalization Funding* - The district's projected funding for FY2018 will increase by \$12.4 million, from \$69.4 million this year to \$81.8 million. These funds are intended to narrow the gap between public school systems in terms of property "wealth per student". GCPS will rank 91st among Georgia's 180 districts in wealth per student next year.
- *Local Five-Mill Share* – The state subtracts from a school district's total earnings each year the equivalent of five effective mills of local taxes, a required cost of participating in the QBE program. For FY2018, GCPS' five-mill buy-in will be \$146.7 million compared to \$141.9 million this year, an increase of \$4.8 million.
- GCPS also will receive \$45 million in additional state revenue through the QBE funding formula as a result of the following:
 - \$14.3 million in additional formula earnings for a 2% cost-of-living adjustment to the state teacher salary schedule
 - \$8.2 million in additional formula earnings due to projected student growth
 - \$5.2 million for the state-funded portion of teacher salary step increases and the additional certificated employees who will be enrolled in state health insurance plans
 - \$17.3 million in additional formula earnings due to an increase in the rate of the employer contribution to the Teachers Retirement System from 14.27% to 16.81%.

Local revenue

After five consecutive years (FY2010 – FY2014) of a property tax digest decline that totaled nearly 25%, the local tax digest is expected to grow for the fourth consecutive year. For FY2018, the increase in property tax revenue is budgeted at \$23.7 million, a 4.7% increase. Motor vehicle taxes, transaction taxes, and investment earnings also are expected to grow a combined \$3.9 million.

Expenses

For FY2018 the school district once again closely scrutinized all proposed expenditures. However, there are a number of increases in expenses, mostly in the area of salaries and employee benefits, that must be funded:

- The addition of 147 instructional and support positions required to accommodate the projected growth of 1,972 students will increase the district's salary and benefits costs by approximately \$11.1 million.
- The employer share for health insurance premiums for approximately 6,100 "non-certificated" personnel is increasing by \$100 per member/per month in FY2018 (effective 1/1/2018). This latest increase will cost \$7.1 million per year.
- The employer contribution required for the Gwinnett Retirement System (GRS), the district's alternative to Social Security, will increase from 3.19% to 3.69%, at a cost of \$5.5 million.
- Funding the rate increase from 14.27% to 16.81% for the employer-paid portion for the Teachers Retirement System will result in an additional cost of \$19.4 million.

- In the area of new funding, the proposed FY2018 budget addresses salary improvements for current employees, as well as other expenditures that support the school district's core business of teaching and learning and increasing student achievement. These new investments include:
 - Funding a salary step increase for all eligible employees will cost approximately \$15.1 million (Approximately 95% of current teachers are eligible for a step increase.)
 - A 2% cost-of-living increase for all employees at a cost of \$19.6 million
 - Additional technology personnel for local schools to support teachers through help with enhanced instructional strategies, curriculum delivery, and staff development
 - Additional operational and maintenance support for pupil transportation, fleet maintenance, and buildings/grounds maintenance
 - Funding to establish E-STEAM academies at Pinckneyville Middle School and Summerour Middle School
 - Additional support in the areas of special education, psychological services, and curriculum and instruction.

To meet the challenges of the mandated increases, fully fund the employee salary and investment plan improvements, and maintain a balanced budget, the following cost-saving measures will remain in place for FY2018:

- School staffing allocation formulas will be unchanged for FY2018. Schools will continue to receive positions to accommodate student growth, and average student/teacher ratios will remain within state-approved class-size limits.
- Division heads were directed to maintain their operating expense budgets at or below the prior year spending levels, while maintaining essential levels of service to support teaching and learning.
- The practice of leaving unfilled district-level positions vacant, to the extent possible, will continue. Only critically needed positions that the budget can continue to fund in future years will be filled as vacancies occur.

Summary of the Six Funds in the Total Budget

- ❖ **The General Fund**, as recommended, represents 76.3% of the Total Budget. Primary day-to-day operations of the school district are budgeted through the General Fund. Student achievement and the teaching and learning process are the central focus of this budget, as evidenced by the fact that 71.7% of the General Fund budget is targeted for instructional services. The FY2018 General Fund budget is increasing by 3.6% over the FY2017 budget. The budgeted expenditure per student is increasing by 2.4% to \$8,853.

The General Fund is proposed to be funded with projected state revenue in the amount of \$958.6 million, federal revenue of \$0.5 million, and local revenue in the amount of \$643.0 million. The millage rate to support this budget is projected to remain unchanged but will be set in June once more complete data is available on the local property tax digest. As noted earlier, these figures are based on the most current projections and state recommendations at the time of budget development.

- ❖ **The Special Revenue Fund** in the FY2018 budget is projected to be \$80.3 million, a decrease of \$10.6 million over the current year. This fund accounts for federal categorical grants such as Title I, Title II, Title VI-B, and secondary vocational grants. The primary reason for the decrease is that the FY2017 budget includes eligible remaining balances carried forward from the prior year, while the FY2018 budget includes only proposed annual grant awards.
- ❖ **The Capital Projects Fund** in the FY2018 budget totals \$149.9 million, a decrease of \$3.3 million from the FY2017 level. This fund includes state capital outlay grants, proceeds from the General Obligation bonds approved by voters in February 2008, and the tax proceeds and expenses funded by the education special purpose local option sales tax (E-SPLOST) approved by voters in November 2011 and 2015.
- ❖ **The Debt Service Fund** for FY2018 will be \$161.9 million, a decrease of \$3.3 million from the FY2017 budget. This fund represents the budgeted principal and interest payments for outstanding debt associated with 1.) Certificates of participation issued in April 2004, 2.) General Obligation bonds approved by voters in February 2008, 3.) Short-term Series 2012 bonds issued to advance fund the E-SPLOST IV program, and 4.) Short-term Series 2016 bonds issued to advance fund the E-SPLOST V program. Principal and interest payments on the Series 2012 and Series 2016 E-SPLOST bonds will be paid with accumulated sales tax proceeds and will not require a debt service property tax levy. The millage rate required to service the remaining General Obligation bonds is projected to remain unchanged when it is formally adopted in June.
- ❖ **The Enterprise Fund** contains the budget for the cafeteria operations for the school district. The total budget for this fund will be \$93.1 million for FY2018.
- ❖ **The Internal Service Fund** represents the operations of the school district's workers' compensation/risk management fund, employee short-term disability program, and the in-house print shop. The total budget for this fund will be \$11.2 million for FY2018.

The Superintendent's recommended budget document is available for public review online at www.gwinnett.k12.ga.us. The budget is also available in Gwinnett County Public Schools' Department of Budgets, located in the J. Alvin Wilbanks Instructional Support Center at 437 Old Peachtree Road, NW, in Suwanee. Interested citizens may call 678-301-6210 to request an appointment to review the detailed document.