



2014-15 Operating Budget Update

June 17, 2014

Board's 2014-15 Operating Budget

- Update on 2014-15 Budget proposals by:
 - Governor
 - Senate
 - House
- Update on 2014-15 Budget approved by County Commissioners
- Timing of issues → Interim Budget Resolution

Board's 2014-15 Operating Budget

Teacher Salaries

Governor

- \$33k minimum (7.1% increase)
- 2.8% - 4.3% increase range for steps 8-12
- 2% average increase for steps 13-36

Senate

- \$33k minimum (7.1% increase)
- 11% average increase other steps
- Relinquish career status & longevity

House

- \$33k minimum (7.1% increase)
- 5% average increase other steps

Board's 2014-15 Operating Budget

Principal Salaries

Governor

- No increase - steps 0-8
- Average 2% increase steps 9-35

Senate

- Step increase
- \$809 one-time bonus if at top of schedule.

House

- Step increase
- 2% one-time bonus if at top of schedule.

Board's 2014-15 Operating Budget

Assistant Principals Salaries

Governor

- \$809 one-time bonus - steps 0-8
- Step increase steps 9-35

Senate

- Step increase
- \$809 one-time bonus if at top of schedule.

House

- Step increase
- 2% one-time bonus if at top of schedule.

Board's 2014-15 Operating Budget

Other Employee Salaries

Governor

- \$809 salary increase for full time permanent staff

Senate

- \$500 salary increase for full time permanent staff

House

- \$1,000 salary increase for full time permanent staff

Board's 2014-15 Operating Budget

Master's Degree Pay

Governor

- Funding restored
- Grandfathered if you have it now
- Eligible upon degree if one course by July 1, 2013
- Eligible upon degree if 70% teaching in field of study?

Senate

- Same

House

- Same

Board's 2014-15 Operating Budget

Textbook Funding

Governor

- \$23.2m non-recurring increase – doubles current funding

Senate

- No additional funding

House

- \$905k recurring increase
- \$11m non-recurring increase

Board's 2014-15 Operating Budget

Cooperative Innovative High Schools

Governor

- Includes funding for early college partnership for WYMLA & WYWLA

Senate

- No funding provided – local funding required

House

- Includes funding for early college partnership for WYMLA & WYWLA

Board's 2014-15 Operating Budget

Teaching Fellows Program

Governor

- Does not change remaining funding

Senate

- Removes remaining \$3.1m of funding

House

- Does not change remaining funding

Board's 2014-15 Operating Budget

Classroom Teacher Formula

The state's biennial budget provides \$43m of funding in 2014-15 to adjust Grades 2 & 3 from 1:18 to 1:17

Governor

- Keeps funding in place for 2014-15 to improve formula

Senate

- Removes \$43m of funding. Formulas for 2014-15 same as 2013-14

House

- Removes \$43m of funding. Formulas for 2014-15 same as 2013-14

Board's 2014-15 Operating Budget

Central Administration Funding

Governor

- No change to current funding

Senate

- \$4.8m state-wide reduction to funding

House

- No change to current funding

Board's 2014-15 Operating Budget

Transportation Funding

Governor

- \$5.5m state-wide reduction to operating funding

Senate

- \$28.6m state-wide reduction to operating funding
- \$3.4m state-wide reduction to replacement buses

House

- No reduction to operating funding
- \$3.4m state-wide reduction to replacement buses – recurring
- \$3.4m state-wide reduction to replacement buses – non-recurring

Board's 2014-15 Operating Budget

Transportation Funding

Governor

- \$5.5m state-wide reduction to operating funding

Senate

- \$28.6m state-wide reduction to operating funding
- \$3.4m state-wide reduction to replacement buses

House

- No reduction to operating funding
- \$3.4m state-wide reduction to replacement buses – recurring
- \$3.4m state-wide reduction to replacement buses – non-recurring

Board's 2014-15 Operating Budget

Transfer of State to Local Responsibility

Governor

- State-Funded Employee's Worker's Compensation Claims
- Tort Claims

Senate

- Does not shift these responsibilities

House

- Does not shift these responsibilities

Board's 2014-15 Operating Budget

Teaching Assistant Funding

Governor

- No change in funding formula

Senate

- \$233m state-wide reduction in funding based upon formula change

House

- No change in funding formula

Board's 2014-15 Operating Budget

Local funding required by proposals

Governor - \$14.9m

Salary & Bonus - \$6.2m

State Funded Employees Worker's Comp Claims - \$7m reserve

Tort Claims - \$1.5m reserve

Change in retirement rate - \$200k

Senate - \$14.8m

Salary & Bonus - \$13.3m

Change in retirement rate - \$900k

Early College Funding - \$621k

House - \$11.1m

Salary & Bonus - \$9.7m

Change in retirement rate - \$1.4m

Board's 2014-15 Operating Budget

Local funding required by proposals

Governor - \$14.9m / Senate - \$14.8m / House - \$11.1m

- \$10.2m in BOE Proposed Budget for:
 - State legislated compensation changes, and
 - Growth, and
 - Expansion Programs / Investment in Core Business
- Current State proposals each require more than \$10.2m just for state compensation changes & shift of state responsibility to LEA's
- What about Growth, Expansion Programs / Investment in Core Business?

Board's 2014-15 Operating Budget

Wake County Approved 2014-15 Budget

- Increase in county appropriation of \$10.2m
 - Total BOE request \$39.3m less \$29.1m for locally funded salary

That leaves a:

- \$4.7m gap to reach Governor's Proposal
- \$4.6m gap to reach Senate's Proposal
- \$.9m gap to reach House's Proposal
- Gaps must be closed with other budget reductions or.....
- Use of one-time funding for recurring expenditures

Board's 2014-15 Operating Budget

Wake County Approved 2014-15 Budget

- Increase in county appropriation of \$10.2m used to meet state proposals
- Other budget reductions or use of one-time funding for recurring expenditures to close gap
- That leaves no local funding for:
 - Growth
 - Expansion / Investment in core business
 - Other needs
- What were those items?

Board's Proposed 2014-15 Operating Budget

Investment in district resources / Expansion / Growth

- \$930k in literacy initiatives
- \$1.75m in targeted elementary school funds for differentiated resourcing
- \$305k in targeted High School Intervention Coordinators
- \$1.7m expansion of Pre-K services
- \$610k 2nd year phased implementation of Technology Facilitators
- \$150k start-up planning & professional development funding for Knightdale Education Working Group recommendations
- Local funding for new school (VM CCA) Operating Costs
- Local funding for growth of 4,000 students
- Title II example

Board's Proposed 2014-15 Operating Budget

Investment in district resources / Expansion / Growth

- So, if there is no funding for these items, what happens?
- Other budget reductions to fund
- Use of one-time funding for recurring expenditures
- Items won't be funded

- \$930k in literacy initiatives
- \$1.75m in targeted elementary school funds for differentiated resourcing
- \$305k in targeted High School Intervention Coordinators
- \$1.7m expansion of Pre-K services
- \$610k 2nd year phased implementation of Technology Facilitators
- \$150k start-up planning & professional development funding for Knightdale Education Working Group recommendations
- Local funding for new school (VM CCA) Operating Costs
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Board's 2014-15 Operating Budget

What's next

- Wait until State has a final budget.....
- It might be a while.....
- Assess the impact
- Develop recommendations to close any funding gaps including potentially:
 - Reduce budgets (again)
 - Repurpose funding
 - Reduction in force (?)
 - Utilize one-time funding for recurring expenditures
- Likely significant local funding impact of state budget → Interim Budget

Board's 2014-15 Operating Budget

Adoption of Interim Budget

- Board must have a budget in place prior to new fiscal year
- Interim budget provides compliance while allowing....
- Assessment of final state budget, and
- Plan for recommended adjustments

Board's 2014-15 Operating Budget

Adoption of Interim Budget

- NCGS 115c 434 directs BOE to adopt an interim budget resolution....
 - For the purpose of paying salaries & the usual ordinary expense,
 - For the interval between the beginning of the fiscal year and the adoption of the final budget resolution

115C-434. Interim budget.

In case the adoption of the budget resolution is delayed until after July 1, the board of education shall make interim appropriations for the purpose of paying salaries and the usual ordinary expenses of the local school administrative unit for the interval between the beginning of the fiscal year and the adoption of the budget resolution. Interim appropriations so made and expended shall be charged to the proper appropriations in the budget resolution.

History.

1975, c. 437, s. 1; 1981, c. 423, s. 1.

Board's 2014-15 Operating Budget

Wake County Approved 2014-15 Budget

- Increase in county appropriation of \$10.2m
- Reserve of \$3.75m for teacher salary supplements
- Offer to exchange fund balance for recurring revenue

Board's 2014-15 Operating Budget

Other Components of Adopted County Budget

Funding for Teacher Salary Supplement

- \$3.75M Funding – Contingent
- Recurring
- Source of funding – ABC Revenues

Section 4(B): TEACHER SUPPLEMENT RESERVE. A reserve is hereby established of \$3,750,000 for additional appropriation to WCPSS. Appropriation of the reserve is contingent upon the Board of Education (BOE) taking action to utilize the \$3,750,000 to increase the locally funded teacher supplement scale. Following the action taken by the Board of Education, the County will appropriate the \$3,750,000 as a recurring amount that will increase the funding for WCPSS operating to \$341,426,400.

Board's 2014-15 Operating Budget

Other Components of Adopted County Budget

Change to Salary Supplement

\$3.75m

		<u>1%</u>	<u>0.75%</u>	<u>0.50%</u>	<u>0.25%</u>
Cost		4,582,270	3,436,703	2,291,135	1,145,568
FICA		350,544	262,908	175,272	87,636
Retirement		693,756	520,317	346,878	173,439
Total Cost		5,626,569	4,219,927	2,813,285	1,406,642
Avg Teacher Increase		\$ 399	\$ 300	\$ 200	\$ 100

Board's 2014-15 Operating Budget

Other Components of Adopted County Budget

Change to Salary Supplement

What does a local supplement increase provide monthly before taxes***

	STEP					
	0	15	30	0	15	30
	.50% increase	.50% increase	.50% increase	.75% increase	.75% increase	.75% increase
Bachelor's Degree Teacher	\$12.83	\$16.52	\$20.15	\$19.25	\$24.78	\$30.23
Master's Degree Teacher	\$14.12	\$18.18	\$22.17	\$21.18	\$27.26	\$33.25
Guidance Counselor	\$14.12	\$18.18	\$22.17	\$21.18	\$27.26	\$33.25
Speech Pathologist	\$16.41	\$19.37	\$26.39	\$24.61	\$29.06	\$39.59
Psychologist	\$16.41	\$19.37	\$26.39	\$24.61	\$29.06	\$39.59
***assumes payment over 12 months						

Board's 2014-15 Operating Budget

Other Components of Adopted County Budget

Opportunity to exchange fund balance for recurring revenue

- Tax increase 4.4 cents
 - CIP 2013 Debt & Capital
 - Total Fund Balance @ 30%
- County target to maintain top debt rating → lower interest rates
- Changes to existing assumptions can “free up” resources:
 - Fund Balance Return
 - Favorable Debt Issuance (interest rates)

Section 4(C): FUND BALANCE EXCHANGE INCENTIVE. A funding incentive is established for WCPSS whereby upon remittance of a portion of WCPSS fund balance to the County, to be deposited in the County Debt Service Fund, the Board of Commissioners will take action to appropriate and set forth increased recurring funding to WCPSS. The additional recurring appropriation will be calculated using the County’s debt and capital model and most current financial information available at the time of the remittance to determine the property tax rate required to provide sufficient funding for existing and authorized future debt and capital as well as to maintain a combined general fund and debt service fund fund balance of at least 30% of combined operating revenues. The amount of the recurring appropriation will be the difference between the recalculated property tax rate dedicated to debt and capital and 19.9 cents, the dedicated amount assumed in Section 3.

Board's 2014-15 Operating Budget

Other Components of Adopted County Budget

Opportunity to swap fund balance for recurring revenue

	Cents on Property Tax Rate
Current tax rate for Debt and Capital:	15.50
Proposed tax rate for Debt and Capital:	19.90
combined general and debt service fund balance of 30% of operating revenues	4.40

IF WCPSS were to return Fund Balance to Wake County (one-time) by:	\$20 million	\$30 million	\$40 million	\$50 million
Tax increase Needed for WCPSS CIP 2013 and County Fund Balance at 30% would be:	4.08	3.92	3.76	3.60
Portion of Tax Increase that Could be Reallocated to WCPSS Operating - Recurring	0.32	0.48	0.64	0.80
Result: Increase in recurring revenue to WCPSS	4,043,000	6,065,000	8,086,000	10,108,000
Resulting tax rate for Debt and Capital	19.58	19.42	19.26	19.10

Board's 2014-15 Operating Budget

- First things first → State Budget & related impacts
- Assess FY 2014 revenue vs. expenditures – restrictions off
- Capacity within existing budget?
- Fall 2014 – early estimates of Unassigned Fund Balance
- Fall 2014 – potential for exchange of Fund Balance

Board's 2014-15 Operating Budget

- Will be asking for adoption of interim budget tonight
- Will continue to closely monitor state budget development
- Difficult decision ahead





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