

# 2018 Board Retreat Part 1: Financial Planning Retreat



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# Today, we plan to focus in two areas.....

## Operating Budget

### Staff to present:

- Demographics
- FY19 General Fund preview
- Education Funding
- County Expansions
- Multi-year Forecast

### Board Exercise & Discussion

- WCPSS Funding Strategies
- Operating Budget Choices

## Debt and Capital

### Staff to present:

- Debt capacity
- Education CIP
- County CIP
- New plans seeking funding
- Referendum options

### Board Exercise & Discussion

- What's on the Ballot Exercise?

**But before we dive into today's topics,  
a little recap and follow-up from  
January.....**

# In January work session and board retreat meetings.....

- Staff presented benchmarking data related to WCPSS
- Board updated Board Goal Areas objectives and initiatives in highly participative breakout groups
- Board identified priority initiatives for 2018 (Top 22); Staff leads have been assigned to each initiative (*See Handouts provided*)
- Staff presented historical financial trends, including per capita and per pupil spending
- Staff presented a high-level, multi-year forecast using a base set of per capita and per pupil spending assumptions

# Total General Fund forecast with County projected at per capita and WCPSS forecast at per pupil plus 2% growth plus new schools

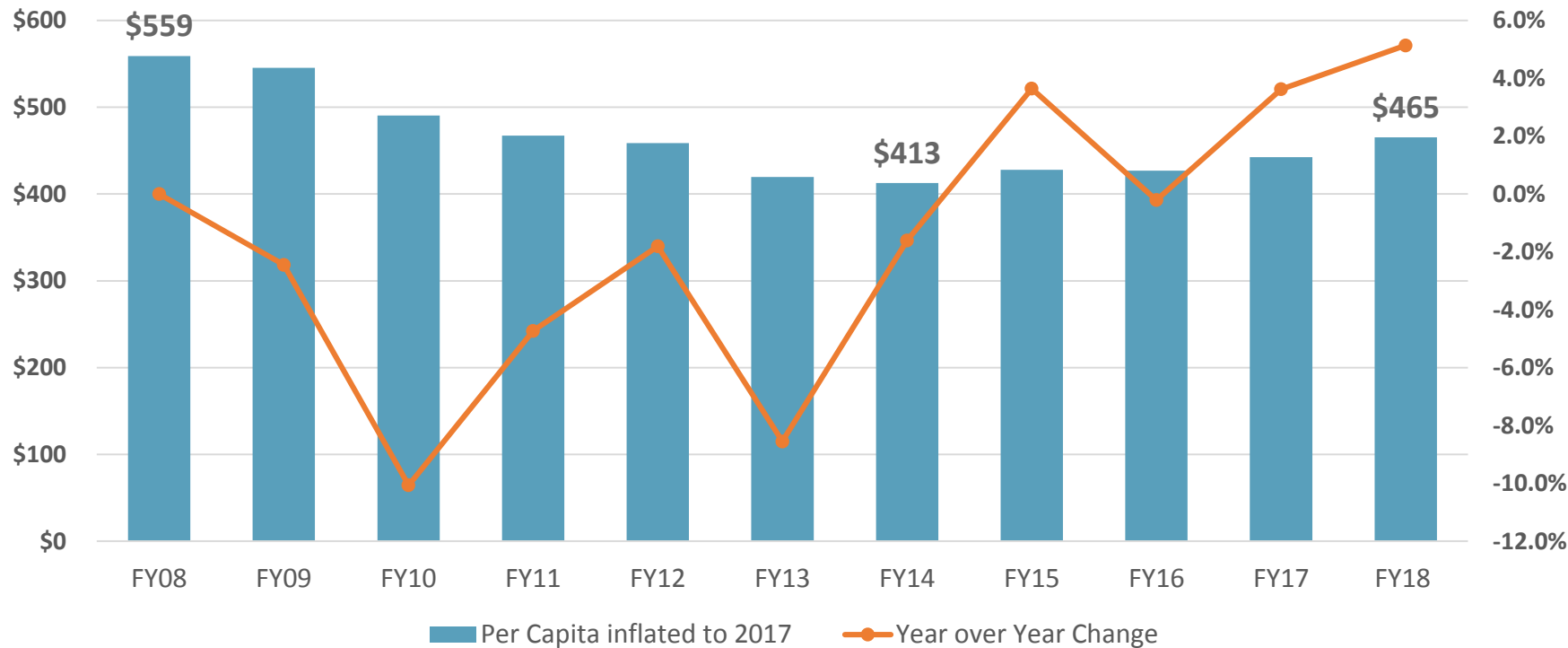
(in millions)	2018 Budget	2019 Request	Per Capita/Pupil Projections				
			2019	2020	2021	2022	2023
County Operations	\$556.8	\$584.9	\$572.9	\$583.6	\$597.0	\$611.8	\$625.6
Wake Tech	\$51.0	\$59.7	\$46.0	\$56.0	\$57.8	\$60.6	\$62.7
WCPSS - Operating	\$430.9	<b>\$430.9</b>	\$447.1	\$467.5	\$487.5	\$508.2	\$535.1
WCPSS – Debt/Capital	\$224.6	\$232.3	\$232.3	\$232.2	\$242.8	\$246.7	\$252.3
<b>Total General Fund</b>	<b>\$1,263.3</b>	<b>\$1,307.8</b>	<b>\$1,298.3</b>	<b>\$1,339.3</b>	<b>\$1,385.1</b>	<b>\$1,427.3</b>	<b>\$1,475.7</b>
Revenue Forecast	\$1,263.3	\$1,292.7	\$1,292.7	\$1,330.9	\$1,369.7	\$1,408.7	\$1,448.9
Total General Fund	\$1,263.3	\$1,307.8	\$1,298.3	\$1,339.3	\$1,385.1	\$1,427.3	\$1,475.7
<b>Surplus (Gap)</b>	<b>\$0.0</b>	<b>-\$15.1</b>	<b>-\$5.6</b>	<b>-\$8.4</b>	<b>-\$15.4</b>	<b>-\$18.6</b>	<b>-\$26.8</b>
Property Tax Revenue							
Per Penny	\$14.3	\$14.6	\$14.6	\$15.0	\$16.9	\$17.3	\$17.7
Increase in Tax Rate to Close Gap (cents)	0.00	1.03	0.37	0.56	0.92	1.07	1.51

# Funding for Education on average accounts for 76% of property tax revenue

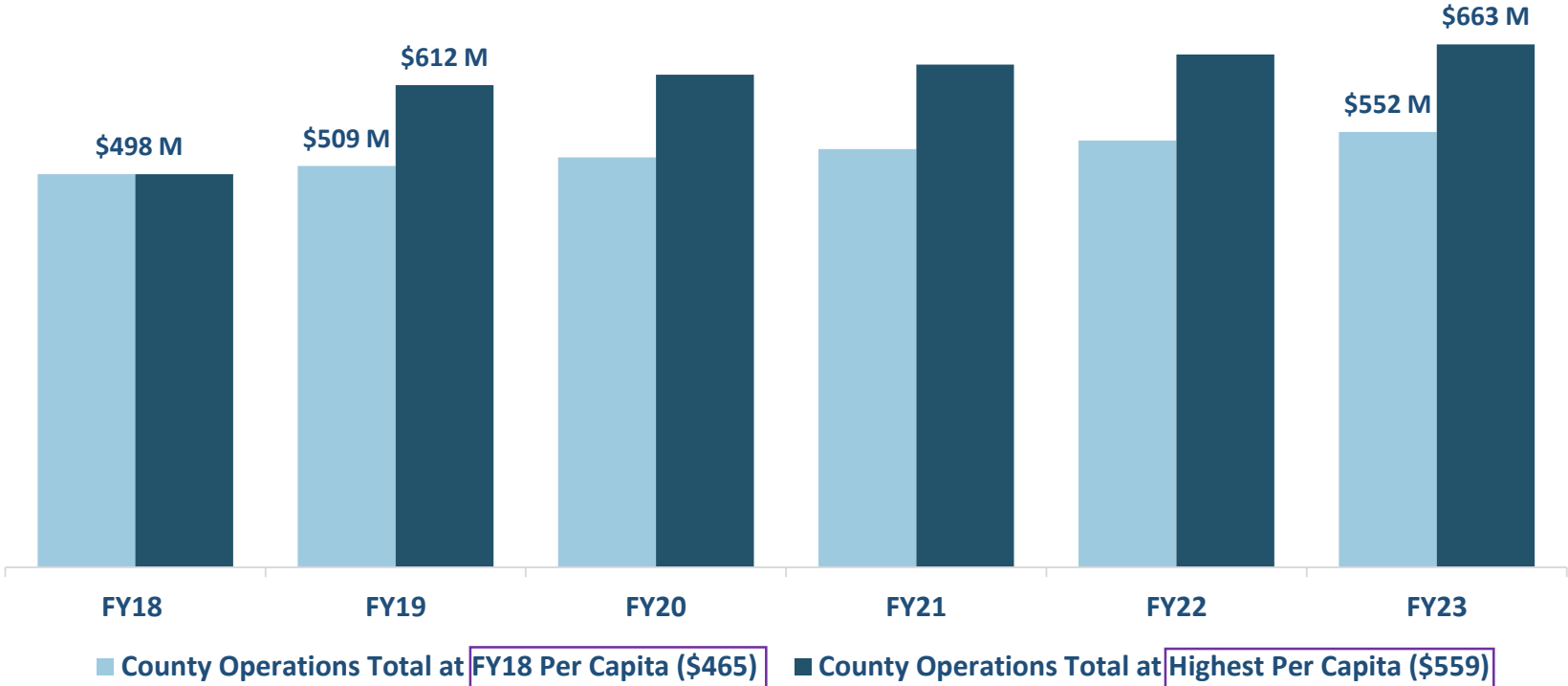
	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18
Allocated Property Tax Rate											
Wake County Public School System - Operating and Capital	52.43	40.54	38.75	38.76	38.40	38.15	36.63	41.70	43.60	42.67	43.05
Wake Tech Community College - Operating and Capital	01.16	01.52	02.33	02.17	01.96	01.89	02.53	02.81	02.92	02.79	03.41
County Services - Operating and Capital	14.21	11.33	12.32	12.47	13.04	13.36	14.24	13.29	14.93	14.60	15.04
<b>Total</b>	<b>67.80</b>	<b>53.40</b>	<b>53.40</b>	<b>53.40</b>	<b>53.40</b>	<b>53.40</b>	<b>53.40</b>	<b>57.80</b>	<b>61.45</b>	<b>60.05</b>	<b>61.50</b>
% Allocated Property Tax Rate											
Wake County Public School System - Operating and Capital	77%	76%	73%	73%	72%	71%	69%	72%	71%	71%	70%
Wake Tech Community College - Operating and Capital	2%	3%	4%	4%	4%	4%	5%	5%	5%	5%	6%
County Services - Operating and Capital	21%	21%	23%	23%	24%	25%	27%	23%	24%	24%	24%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

# When adjusted for inflation, highest County per capita funding was \$559

County Operations



# If County Operations funding was returned to highest per capita levels, would require \$103 million



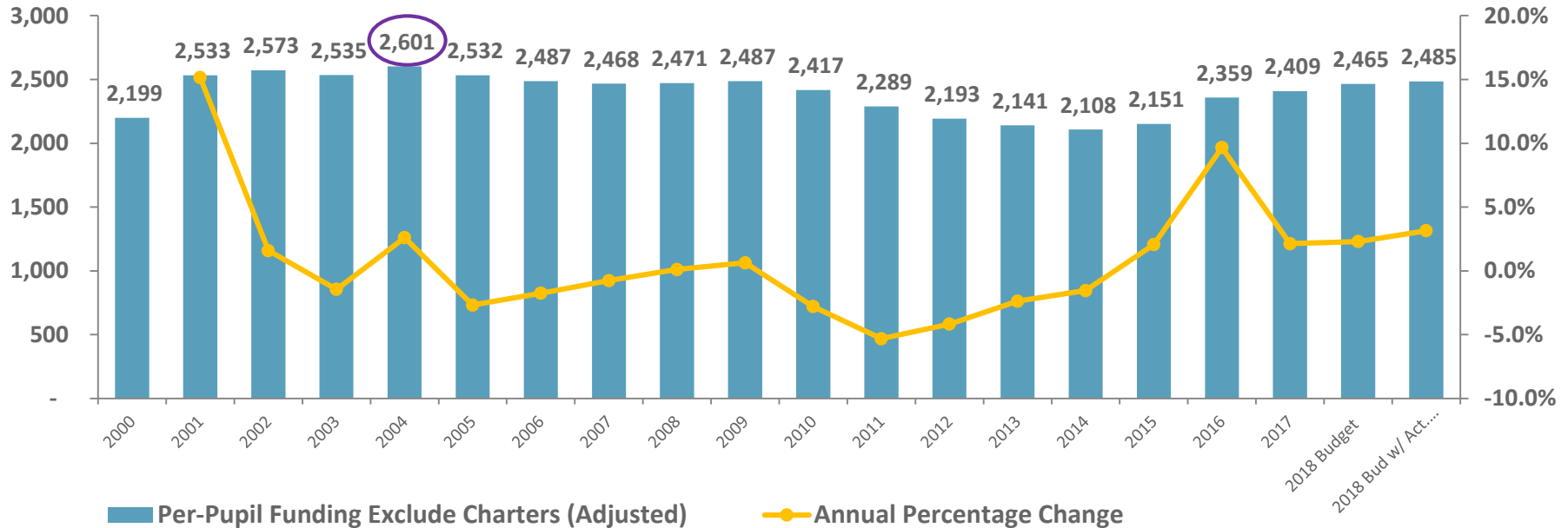


# When adjusted for inflation, highest County per pupil funding was \$2,601

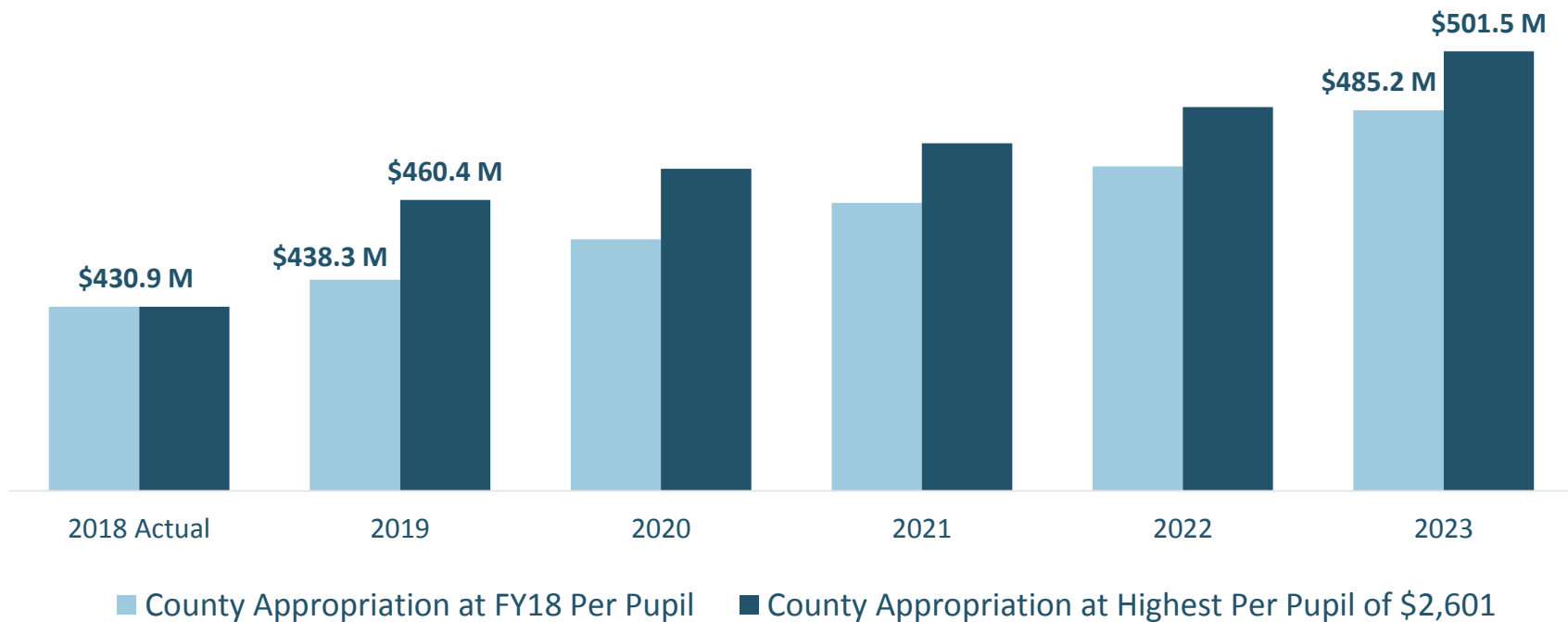
Per-Pupil Funding  
(2017 Dollars)

County Per-Pupil Funding in 2017 Dollars: WCPSS Enrollment Only  
(Excludes Charter allocation and enrollment)

Annual  
Percentage  
Change

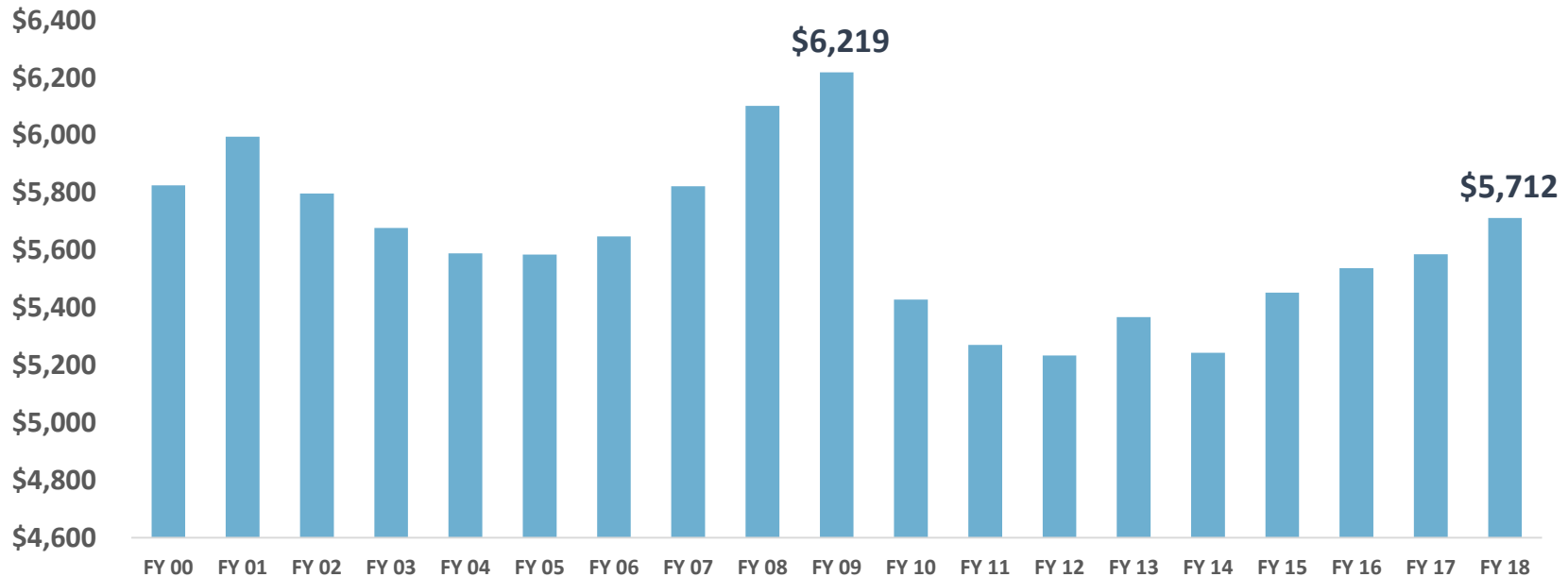


# If WCPSS funding were returned to highest per pupil spending, would require \$29.5 million



# If State per pupil funding were at highest level; \$81.3M more than today

WCPSS State Per Pupil (2017 Dollars)



**With the recap complete, we're ready to move into today's materials with detail and more “real” numbers than January,**

**Let's go.....**

# Demographics

**In this section, we will highlight some of the of the key indicators that impact the County's revenue picture and demand for services.**

- **Economic Influencers: employment, income, inflation, tax base**
- **Growth and service demand drivers: population, K-2 enrollment, community college enrollment, poverty**

# Wake unemployment rate continues to be lower than US and State

Unemployment Rate(%)

United States



Unemployment Rate(%)

North Carolina



## Unemployment Rates Noted: Peak & December 2017

Source:  
NC Local Economic and  
Analysis Division (LEAD).  
Unadjusted monthly  
unemployment rates  
Jan2008 – Dec 2017.

Unemployment Rate(%)

Wake County



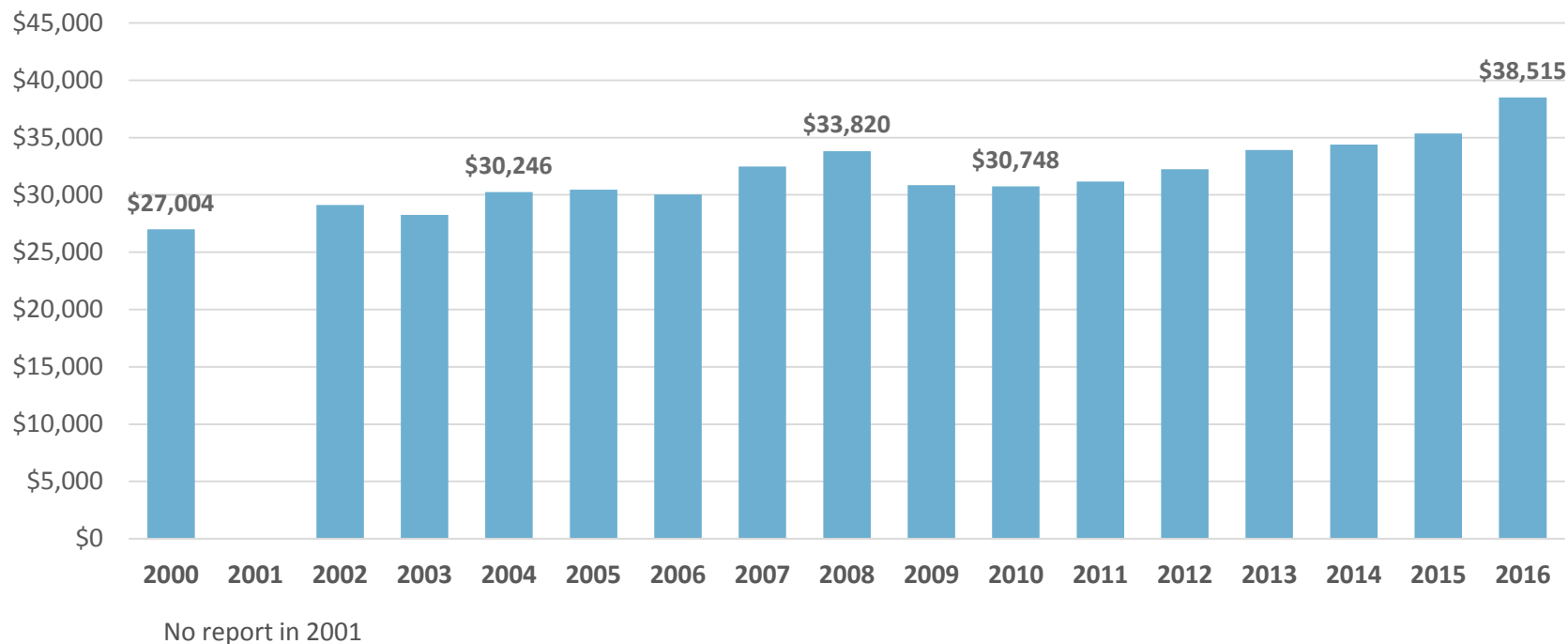
WAKE COUNTY

# Number employed increased 31% since recession began



Source: NC Local Economic and Analysis Division (LEAD). Unadjusted employment rates Jan2008 – Dec 2017.

# Per capita income grew 25% since 2010



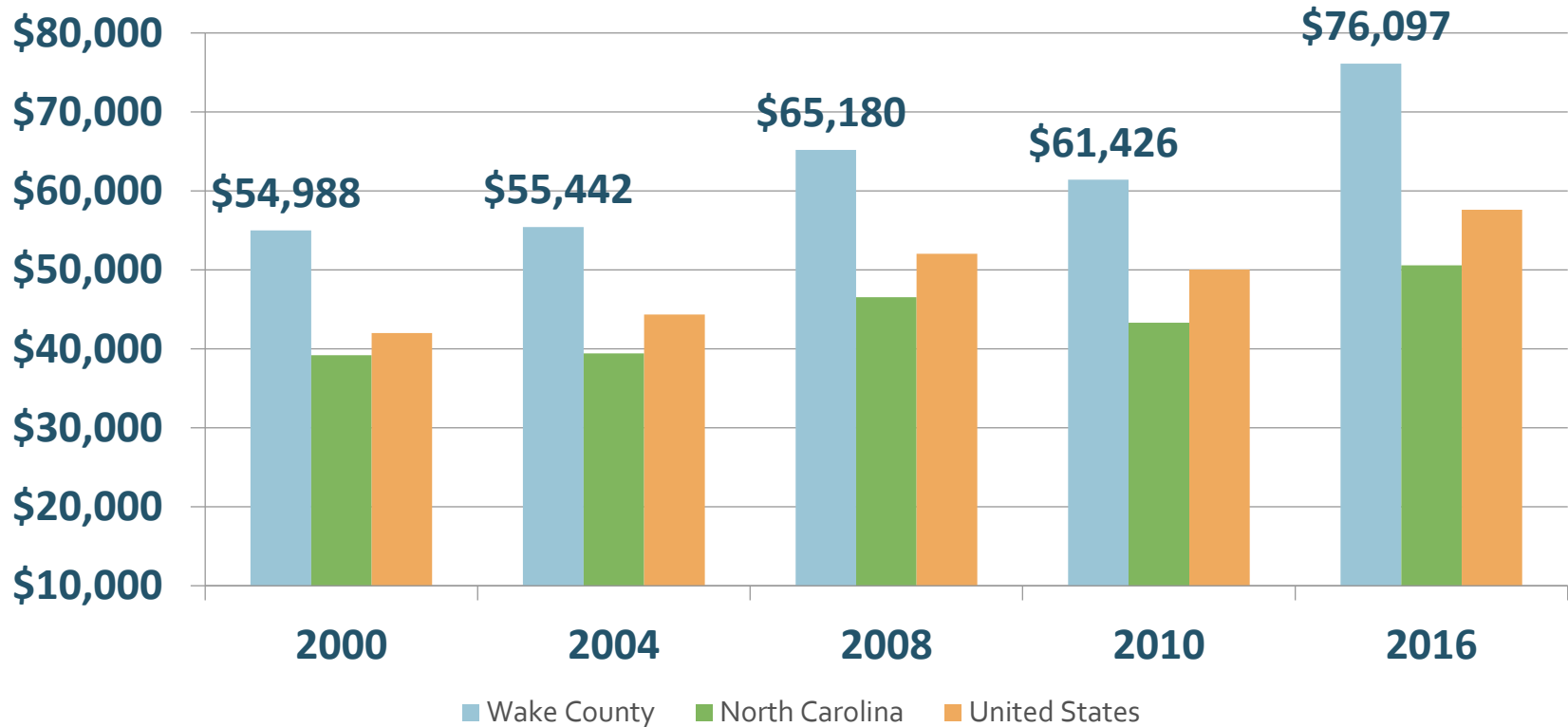
Sources: U.S. Census Bureau, 2002-2016 American Community Survey 1-Year Estimates.

2000 Census, Summary File 3 Sample Estimate.

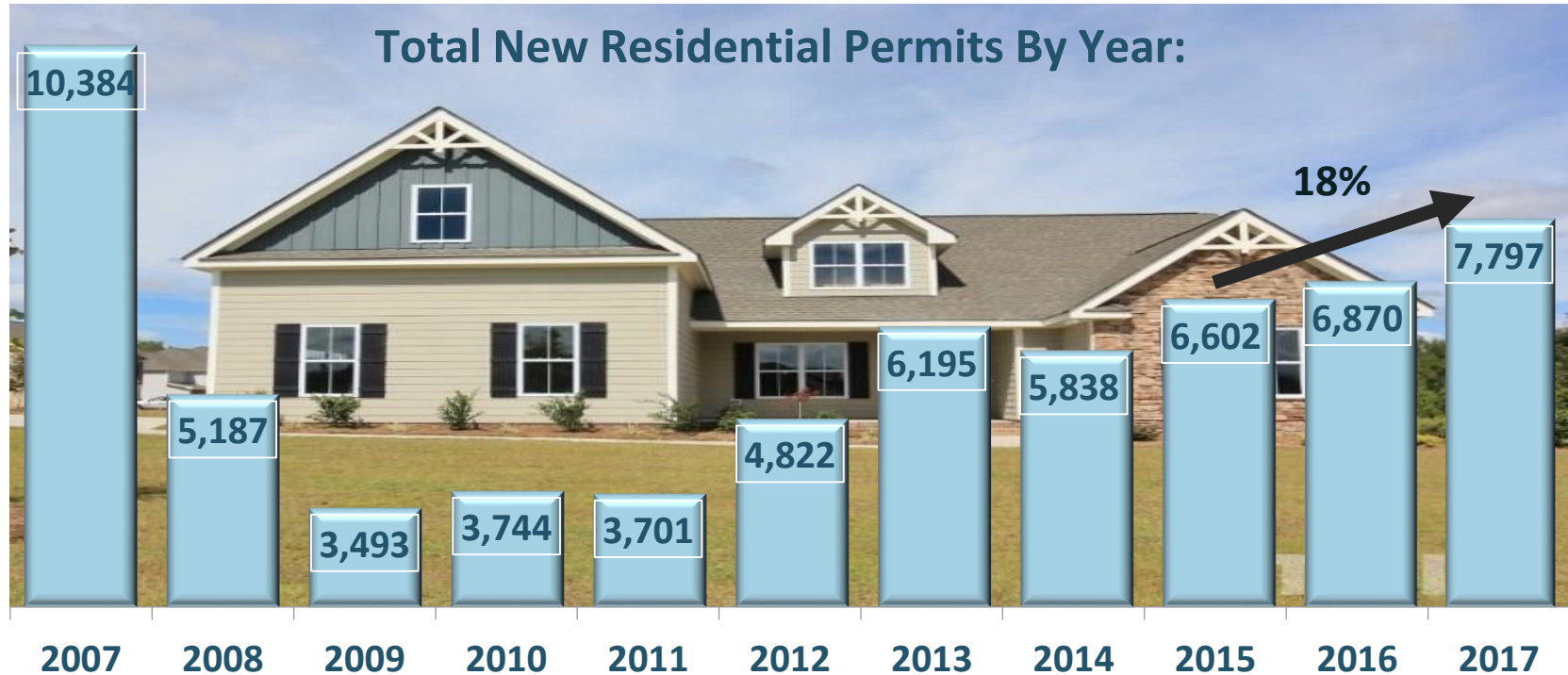
Note: Income estimates shown are in unadjusted current dollars



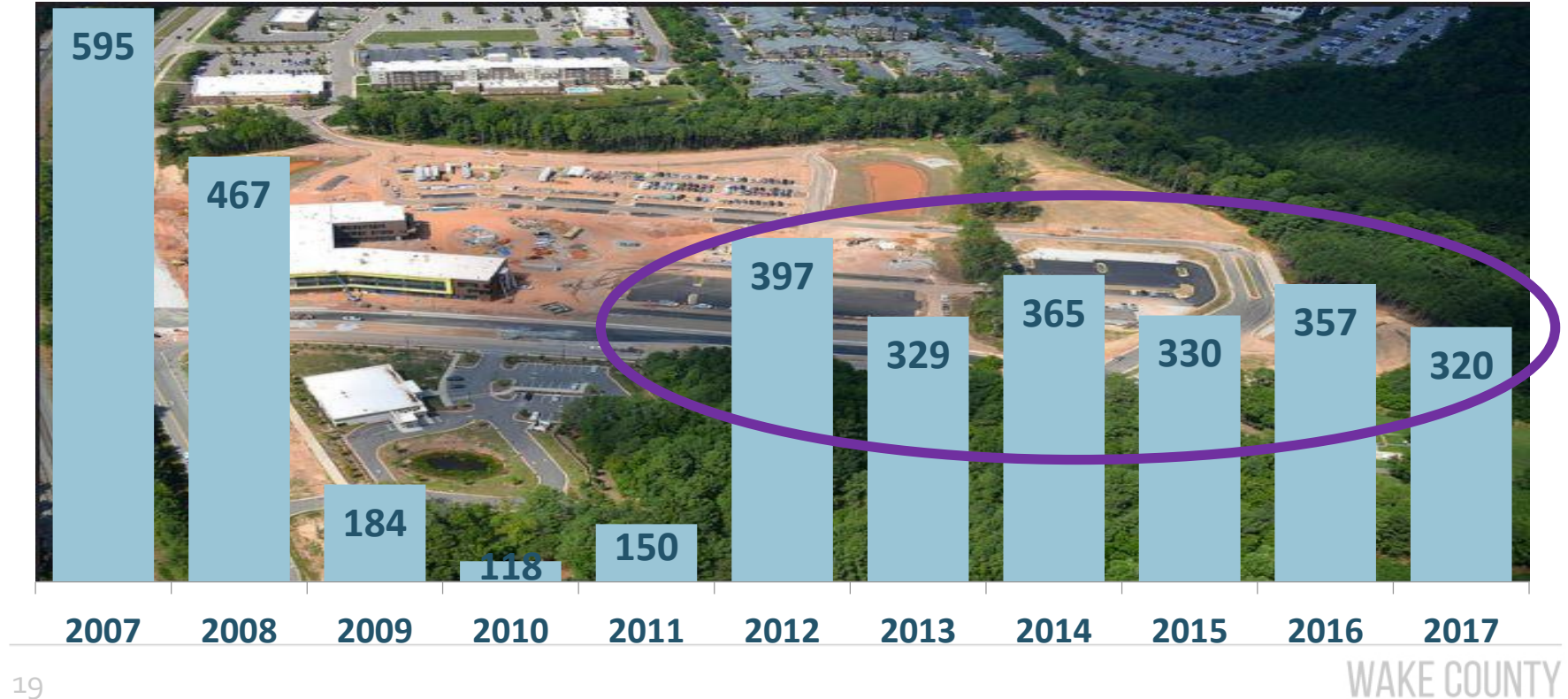
# Median household income has grown 38% since 2000



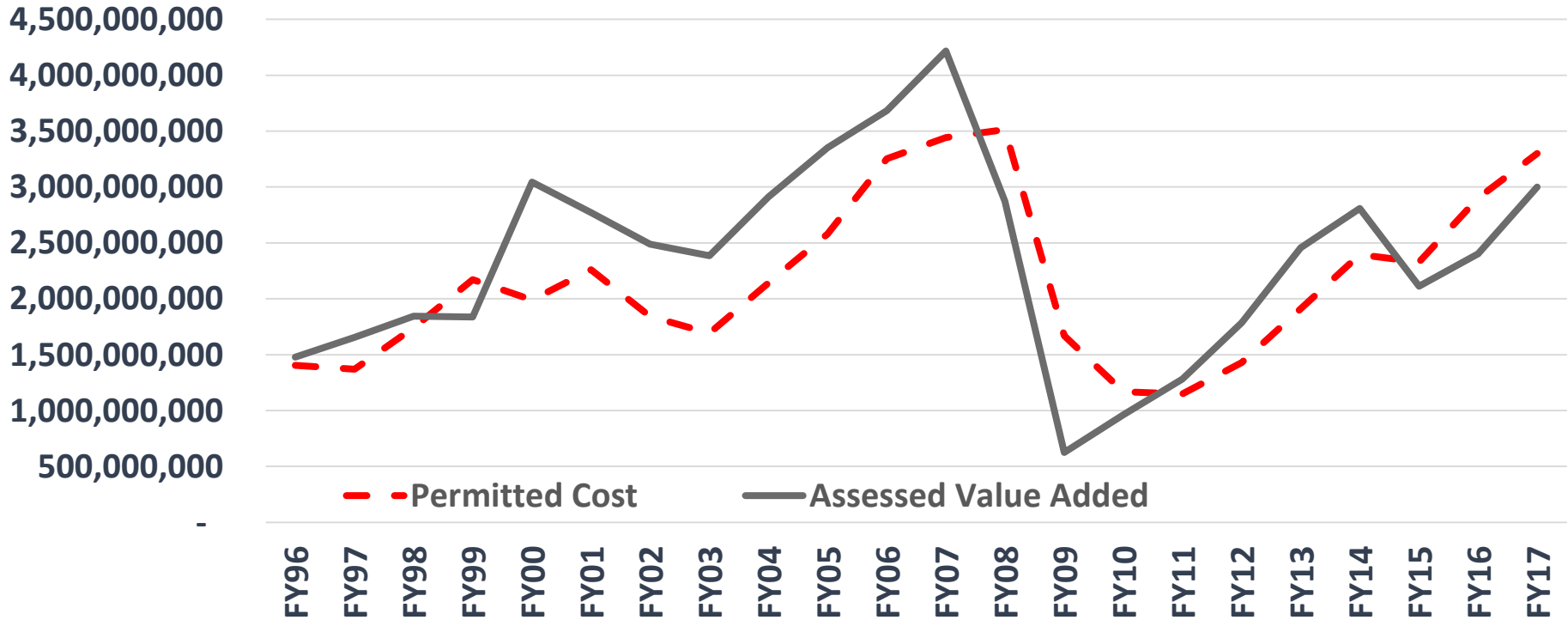
# Building Permits increased 18% over past two years but still far below pre-recession levels



# New construction commercial permits issued hold steady for the past 5 years and are approximately 50% of pre-recession levels



# On average, 80% of value permitted is added to the tax rolls the following year

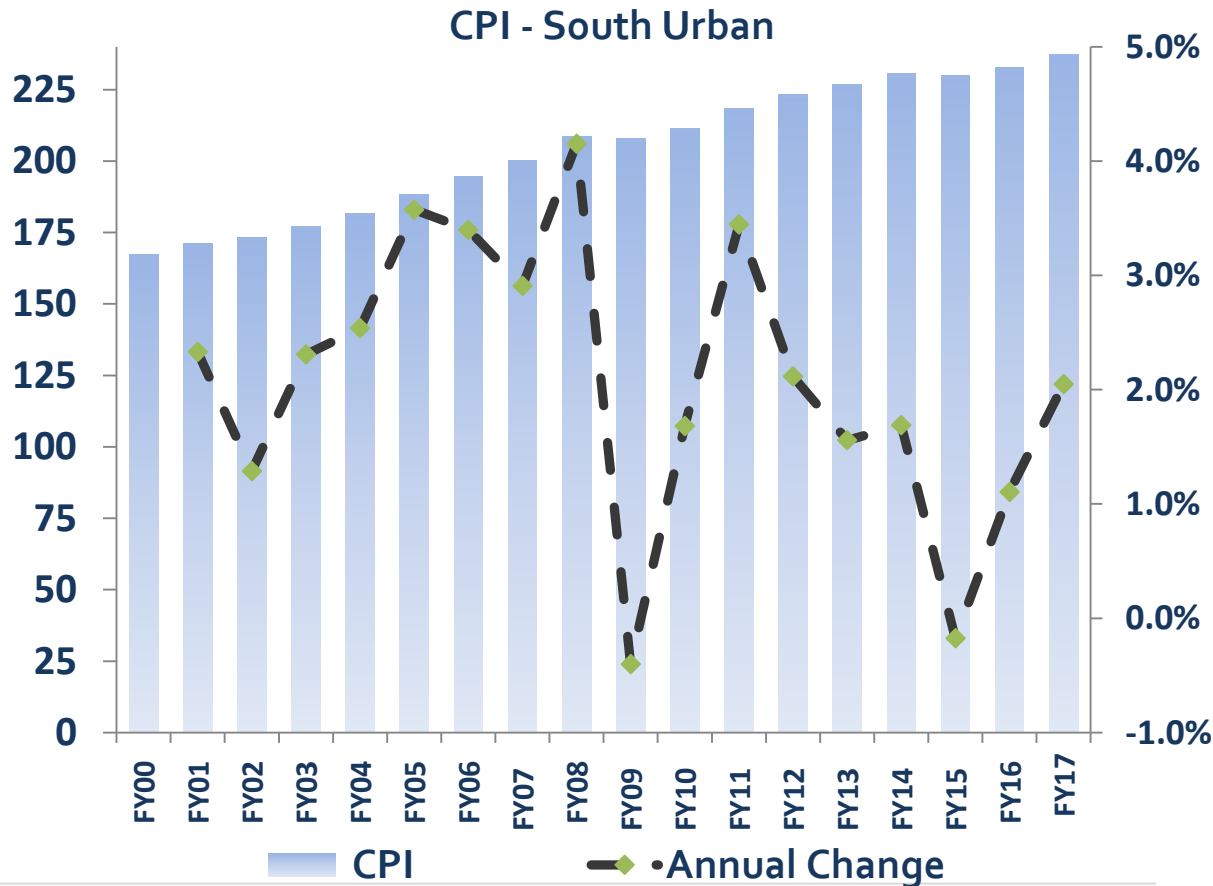


# Inflation has averaged 1.25% over the most recent 5 years

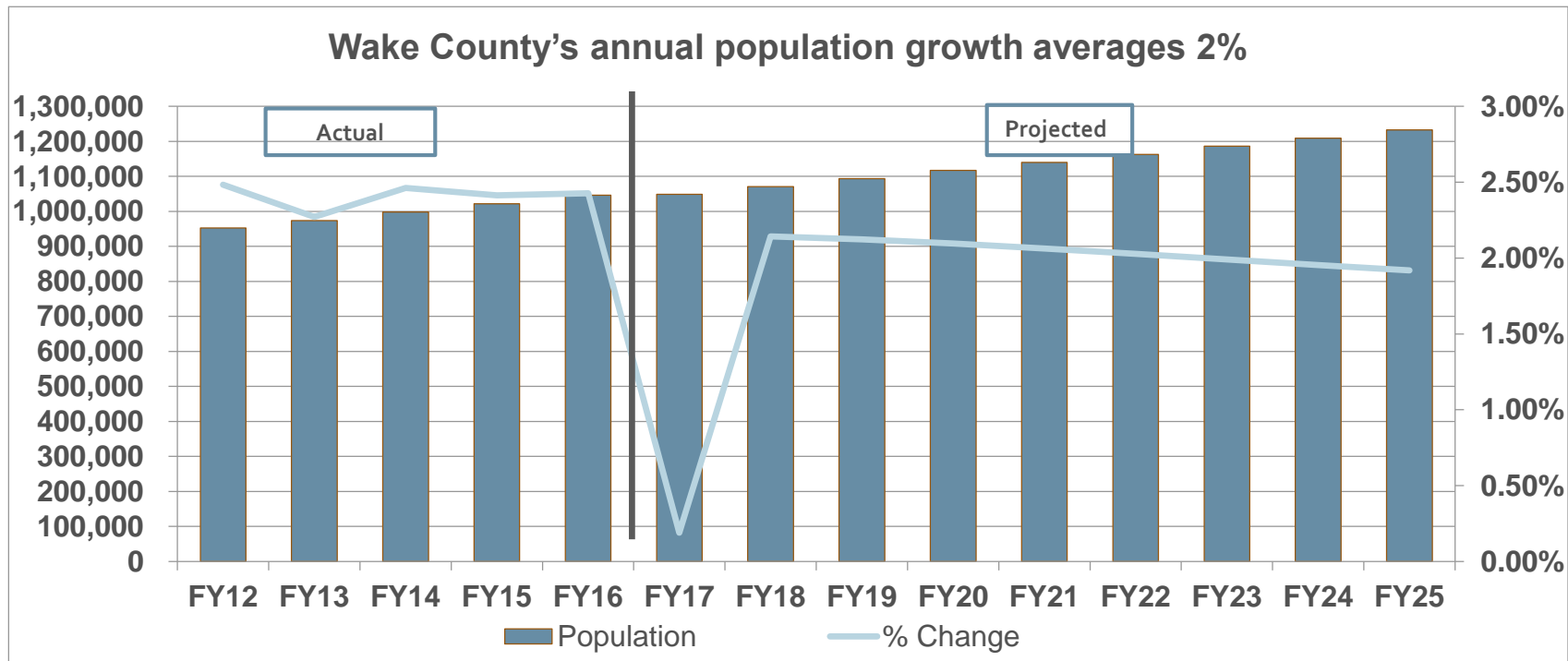
## Consumer Price Index

Consumer Price Index (CPI) – the South Urban index is used as an indicator of inflation

Pre-recession, inflation averaged 2.8%



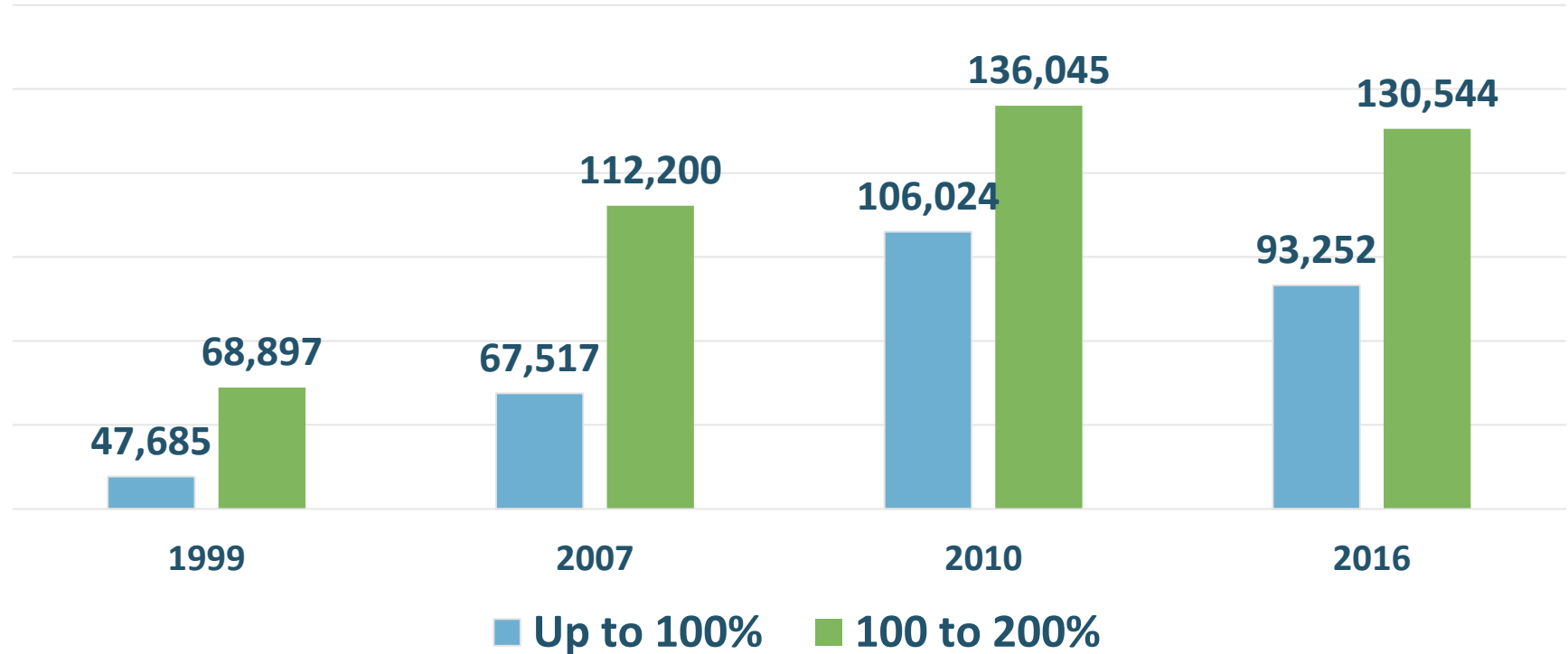
# Wake's Population estimated to reach 1.2 million by 2025



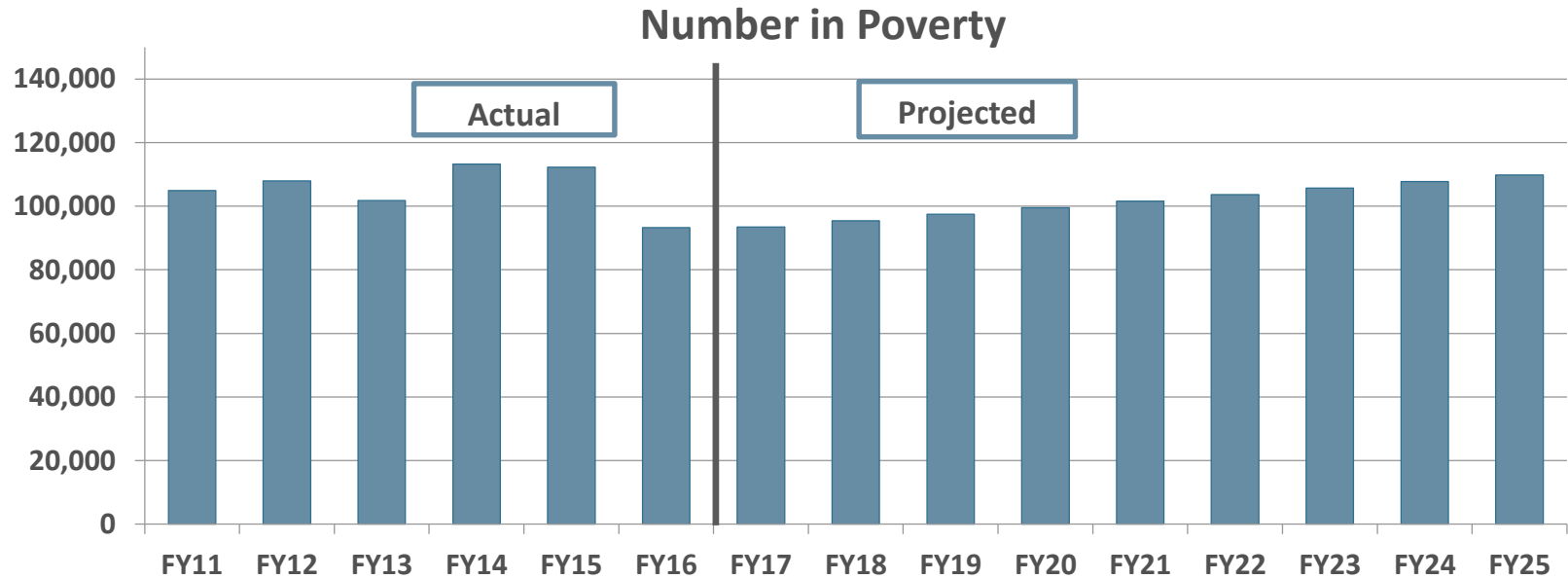
Sources: \*U.S. Census Bureau Annual Estimates (July 1, 2016)

\*\*North Carolina Office of Budget and Management County Population Projections (October 7, 2017)

# The number of persons living in poverty in Wake is larger than populations of 75% of the counties in the state

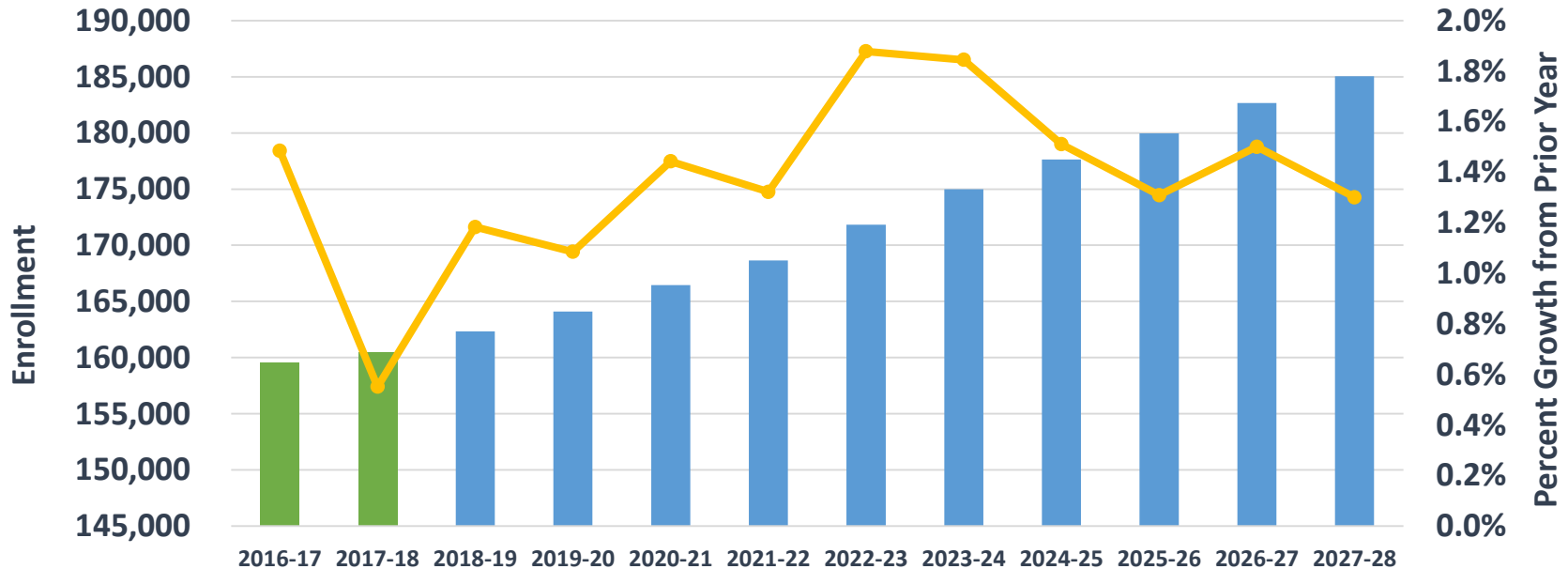


# At current level of 9% of total population, those living in up to 100% of poverty could rise to over 100,00 in 2025





# WCPSS is projected to add 24,614 students over the next ten years, an increase of 15.3 percent



Green bars denote actuals.



# Board “Take aways” and Questions

# FY19 General Fund Preview

**In this section we will review:**

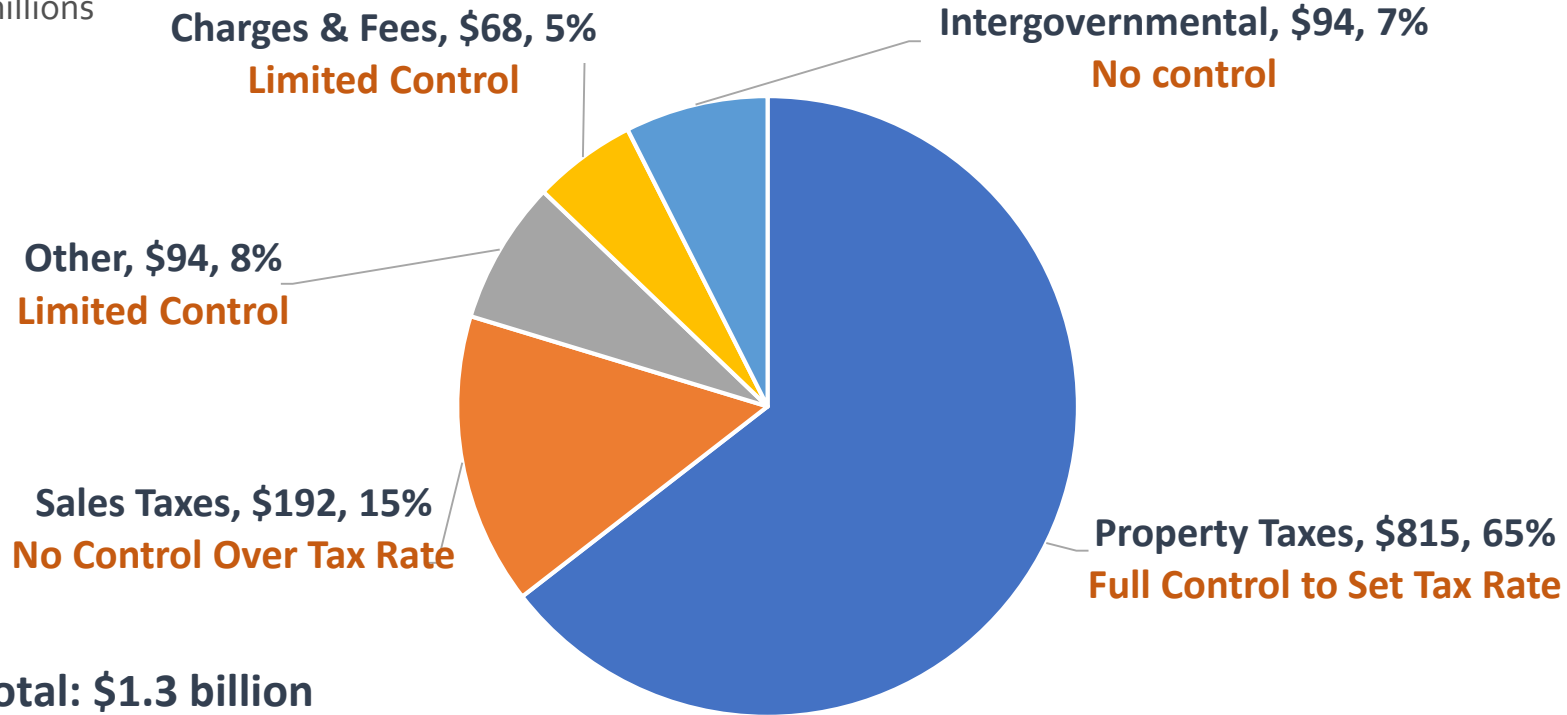
- **Key revenue assumptions used to develop revenues estimates for FY 19 and beyond,**
- **Resulting “normal” revenue growth and**
- **Base expenditure budget.**

# The Future is Difficult to Predict

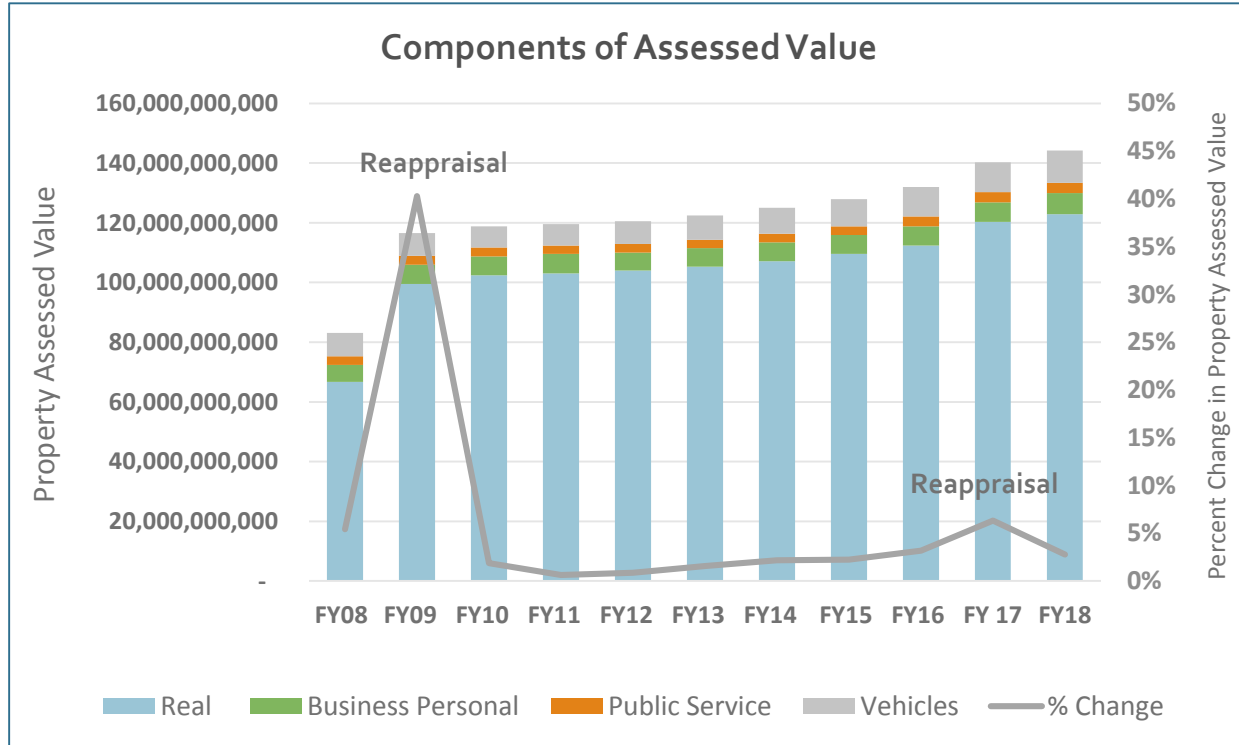
Time	1 - 2 Years	3 - 5 Years	6 – 7 Years
Revenues & Expenditures	Realistic Predictable Data	Conservative	More Conservative & Cautious
Economic Uncertainty	Low	Moderate	High
Need for Margin of Error	Low	Moderate	High

# Property Tax represents 70% of General Fund; only revenue within full control of Board

In millions

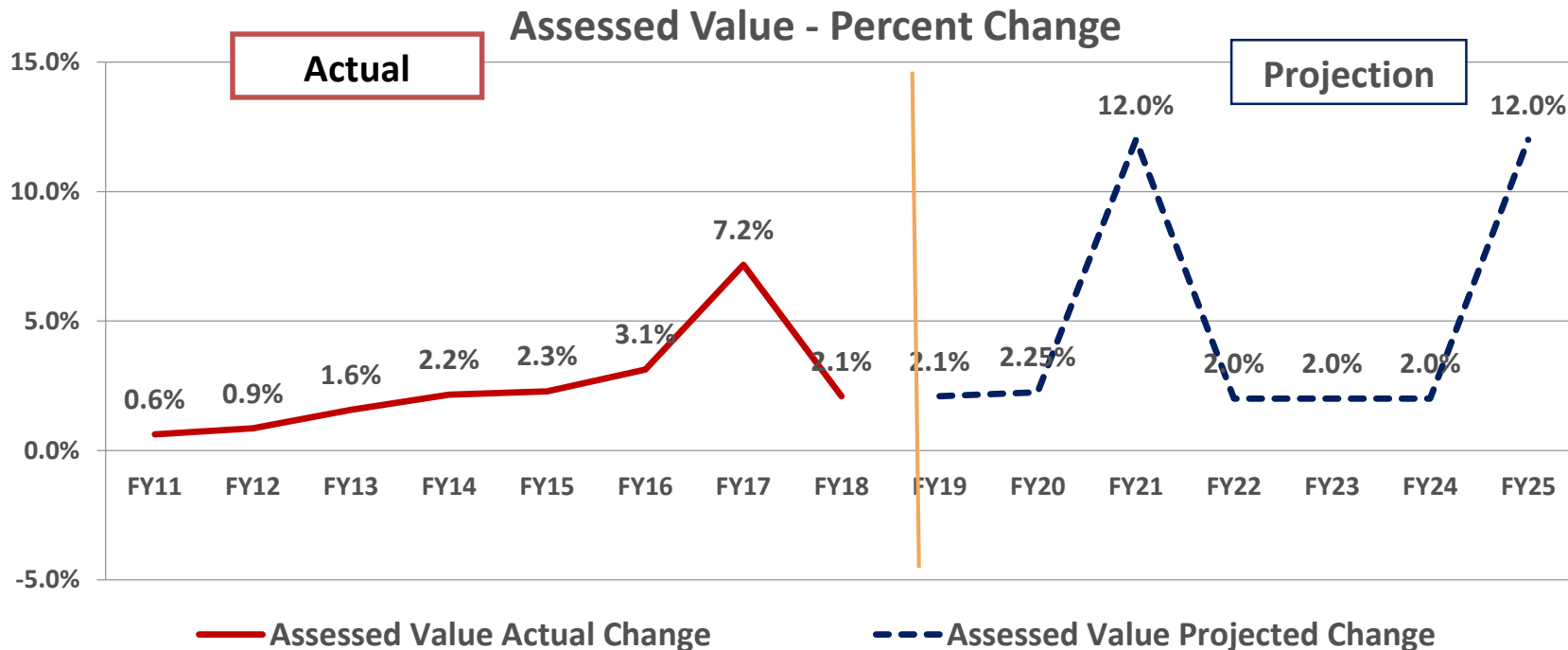


# Real property makes up 85% of total assessed value



- New construction is valued annually based on the schedule of values of the last reappraisal
- Reappraisal captures market value
- Vehicles and Business Personal Property Valued Annually

# Assessed Value Projection is consistent with recent experience



# Property Tax Base growth rate assumptions lowered based on increased reappraisal estimate

	2018	2019	2020	2021*	2022	2023	2024	2025*
Property Tax Valuation Growth	2.10%	2.10%	2.25%	12.00%	2.00%	2.00%	2.00%	12.00%
Prior	2.10%	2.10%	2.50%	10.50%	2.50%	2.50%	2.50%	10.50%
Net Change in Growth	0.00%	0.00%	-0.25%	1.50%	-0.50%	-0.50%	-0.50%	1.50%

*\*Reappraisal Year*

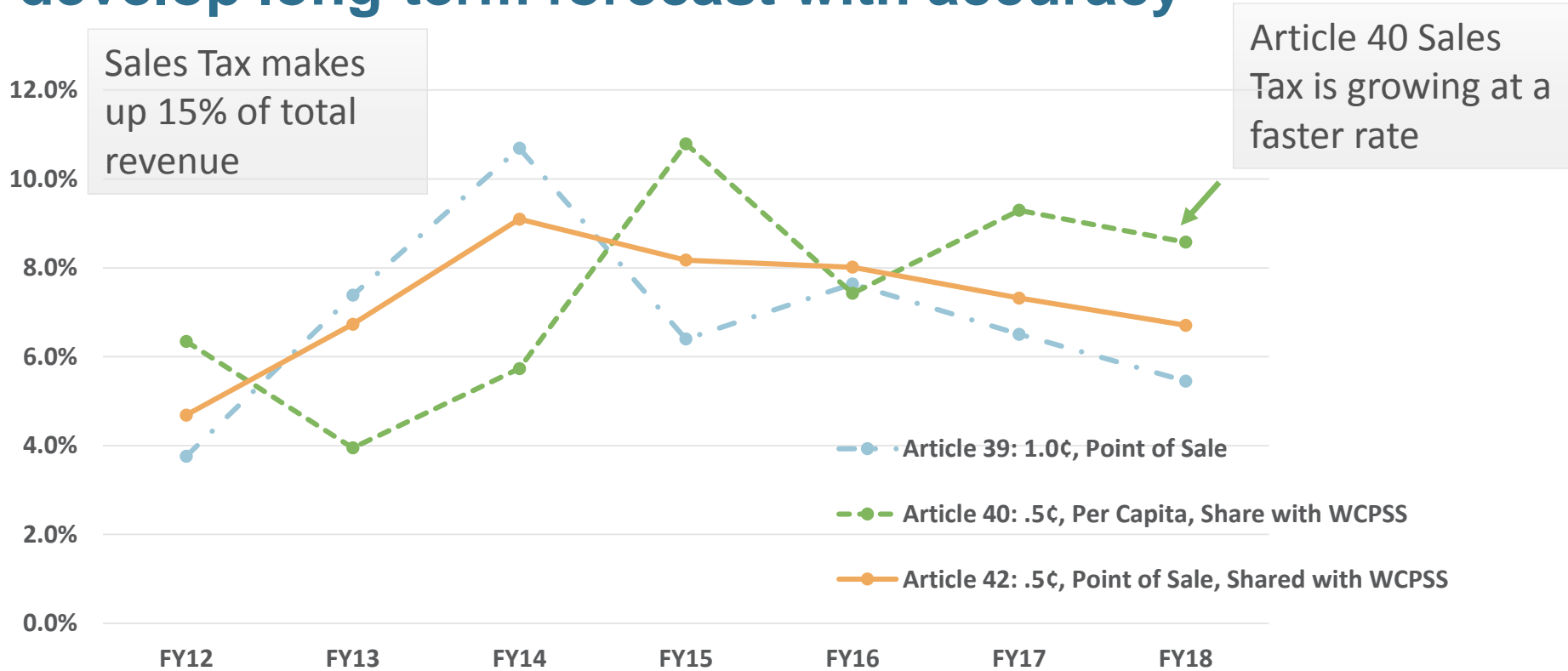
FY19 projections based on more recent information

Assessed valuation increased in reappraisal years from 8% to 10%, a realistic amount based on current market values

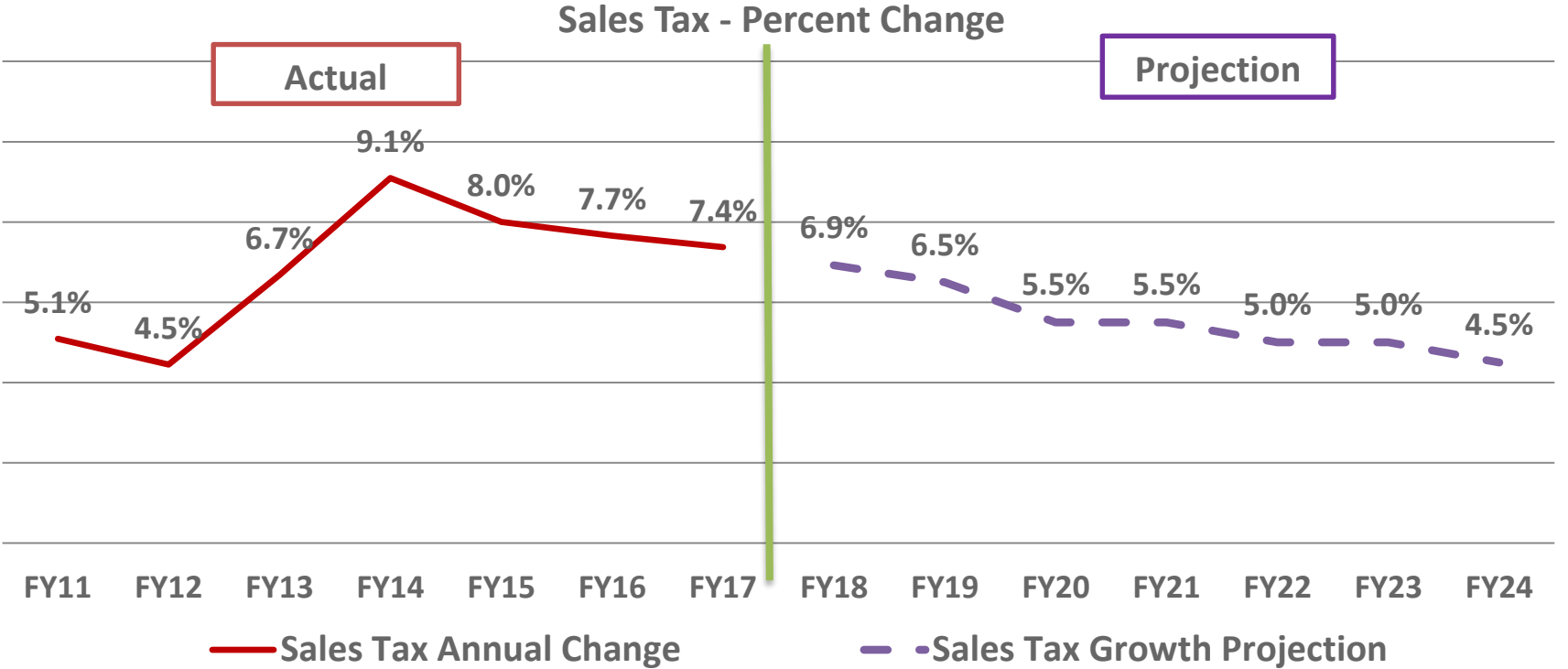
Years following reappraisal lowered because of increased based and slightly more conservative approach



# Sales tax growth rates are volatile; challenging to develop long-term forecast with accuracy



# Projection remains conservative to account for volatility from economic changes



# Economic and Population growth drives increase in sales tax projection

	2018	2019	2020	2021	2022	2023	2024	2025
Sales Tax Growth	6.90%	6.50%	5.50%	5.50%	5.00%	5.00%	4.50%	4.00%
Prior	6.00%	6.00%	5.50%	5.50%	5.00%	5.00%	4.50%	4.00%
Net Change in Growth	1.60%	0.80%	-	-	-	-	-	-

FY18 actual collections higher than projection

FY19 projections revised based on more recent information

Article 40 growth and Medicaid Hold Harmless funds from the state outpacing budget

# Normal revenue growth estimated at 3% or \$37 million

Revenue Item (in millions)	FY18 Adopted	FY18 Adjusted *	FY19 Base Projection	FY18 Adj v FY19	% FY18 Adj v FY19
Property Taxes	885	885	906	21	2.4%
Sales Taxes	192	192	203	11	5.7%
Intergovernmental	94	60	63	3	5.0%
Charges, Permits and Fees	68	68	68	0	0.0%
All Other Revenues	24	24	26	2	8.3%
<b>Total</b>	<b>\$1,263</b>	<b>\$1,229</b>	<b>\$1,266</b>	<b>\$37</b>	<b>3.0%</b>

“Normal” is considered forecasted growth without a tax increase

*\*\$34M reduction in state revenue due to state assuming payment responsibility for Childcare Subsidy (offset by reduction in expense)*

# Intergovernmental Revenue increases primarily driven by Human Services reimbursements

Human Services receiving reimbursement for services increases revenue and expense by almost \$2M

Libraries State funding also increasing

Revenue Item (in millions)	FY18 Adopted	FY18 Adjusted	FY19 Base Projection	FY18 Adj v FY19	% FY18 Adj v FY19
Federal	12	12	13	1	8.3%
State	82	48	50	2	4.2%
<b>Total</b>	<b>\$94</b>	<b>\$60</b>	<b>\$63</b>	<b>\$3</b>	<b>5.0%</b>

# Limited ability to increase charges and fees

*Departments conduct annual fee review for cost recovery*

Revenue Item (in millions)	FY18 Adopted	FY18 Adjusted	FY19 Base Projection	FY18 Adj v FY19	% FY18 Adj v FY19
EMS Billing	27	27	27	-	0.0%
Medicaid / Medicare / Client Fees	14	14	14	-	0.0%
Planning & Permitting	6	6	7	1	16.7%
Recording/ROD	6	6	6	-	0.0%
Other	14	14	14	-	0.0%
Election Reimbursement	1	1	-	(1)	-100.0%
<b>Total</b>	<b>68</b>	<b>68</b>	<b>68</b>	<b>-</b>	<b>0.0%</b>

*No control over fees for EMS, Medicaid, Medicare, ROD and as rates are capped by the enabling body, federal or state governments*

# Other Revenues increase by \$2 million

## Real Property Transfer Taxes Increasing

Real property transfer taxes increasing 8.3%, driven by growth in real estate

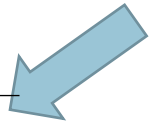
## Appropriation of Fund Balance

Planned Use of Fund Balance for Reappraisal efforts in FY19, and Opioid and Tobacco Prevention pilot

Revenue Item (in millions)	FY18 Adopted	FY18 Adjusted	FY19 Base Projection	FY18 Adj v FY19	% FY18 Adj v FY19
Real Property Transfer Tax	12	12	13	1	8.3%
Local, Misc, and Other Taxes	7	7	7	0	0.0%
Transfers	4	4	4	0	0.0%
Fund Balance	1	1	2	1	100.0%
<b>Total</b>	<b>\$24</b>	<b>\$24</b>	<b>\$26</b>	<b>\$2</b>	<b>8.3%</b>

# \$15 million taken “off the top” from revenues to meet debt commitments and annualizations

Spending Area	FY18 Adopted	FY18 Adjusted	FY19 Base Projection	Change
<b>Operating</b>				
County Departments	499	465	470	5
WCPSS	431	431	431	0
Wake Tech	21	21	21	0
<b>Transfers for Debt and Capital</b>	<b>312</b>	<b>312</b>	<b>322</b>	<b>10</b>
WCPSS	225	225	234	9
Wake Tech	30	30	24	(6)
County	57	57	64	7
<b>Total</b>	<b>\$1,263 M</b>	<b>\$1,229 M</b>	<b>\$1,244 M</b>	<b>\$15 M</b>
<i>Total Per Capita</i>	<i>\$1,179</i>	<i>\$1,147</i>	<i>\$1,137</i>	<i>\$14</i>





# FY19 Expenditure Base

## Commitments of New Revenues

	Property Tax	Sales Tax	Other	Total
Total Normal Growth	<b>\$21</b>	<b>\$11</b>	<b>\$5</b>	<b>\$37</b>
Less Base Commitments:				
Debt and Capital	\$7	\$3	\$0	\$10
Base Increase			\$5	\$5
<b>Remaining by Source</b>	<b>\$14</b>	<b>\$8</b>	<b>\$0</b>	<b>\$22</b>

## County Base Increase Summary

Adjustment to Base Budget	Dollars
Less One-Time Funding	(\$3,400,000)
Annualization of Performance Pay	\$2,000,000
HS Expenditures Offset by State & Fed Revenue	\$2,000,000
Reduction in Vacancy Rate Projections	\$600,000
Retirement Rate increases set by state	\$1,200,000
Fleet, Fuel and Facility Adjustments	\$500,000
Transfer for Housing	\$1,000,000
Cost covered by planned use of Fund Balance: Opioid and Tobacco Prevention & Reappraisal	\$1,300,000

## After adjusting for debt & capital and other base changes, \$22 million available for new requests

	FY18 Adjusted	FY19 Base	Difference
Revenues	1,229	1,266	37
Expenditures	1,229	1,244	15
<b>Difference</b>	<b>\$0</b>	<b>\$22</b>	<b>\$22</b>

# Allocating remaining revenues by source .....

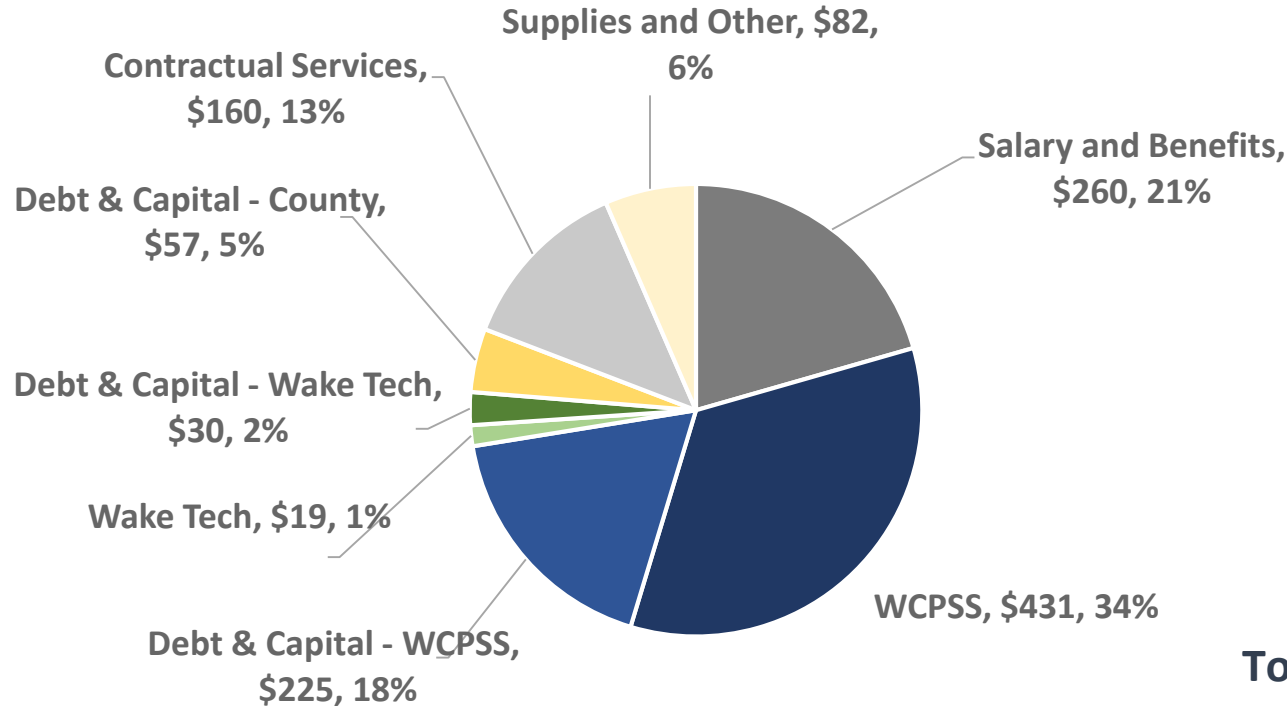
Given the County is the taxing authority for the school system, property taxes are the only revenue under the Board's control, therefore:

- Remaining property tax allocated based on FY18 distribution amounts
- Sales tax assumed to be source for County expenditures

	Property Tax	Sales Tax	Total
<b>Remaining by Source</b>	<b>\$14</b>	<b>\$8</b>	<b>\$22</b>
Allocation:			
Education	\$9		\$9
County	\$5	\$8	\$13

# Largest Expenditures are WCPSS, Transfers for Debt and Capital, and Salary and Benefits

In millions



**Total: \$1.3 million**



# Board “Take aways” and Questions

# Items Seeking Funding

So now that we have the revenue picture, in this section, we will be discussing funding needs and requests by major groupings of:

- Education
- County Operations (including performance pay increases)
- Behavioral Health
- Public Agencies
- Housing Plan

# Let's start with Education

Funding for education (Wake Tech and WCPSS) represents more than 50% of the County's General Fund Budget. In this section, we will:

- Review statutory responsibilities,
- Recap WPCSS benchmarks and
- Consider the impacts of a simple funding formula.

# County required by the state to fund specific operational aspects for Wake Tech

## NCGS 115D-32. Local financial support of institutions.

### (2) Current expenses:

#### a. Plant operation and maintenance:

1. Salaries of janitors, maids, watchmen, maintenance and repair employees.
2. Cost of fuel, water, power, and telephone services.
3. Cost of janitorial supplies and materials.
4. Cost of operation of motor vehicles.
5. Cost of maintenance and repairs of buildings and grounds.
6. Maintenance and replacement of furniture and equipment provided from local funds.
7. Maintenance of plant heating, electrical, and plumbing equipment.
8. Maintenance of all other equipment, including motor vehicles, provided by local funds.
9. Rental of land and buildings.
10. Any other expenses necessary for plant operation and maintenance.

#### b. Support services:

1. Cost of insurance for buildings, contents, motor vehicles, workers' compensation for institutional employees paid from local funds, and other necessary insurance.
2. Any tort claims awarded against the institution due to the negligence of the institutional employees.
3. Cost of bonding institutional employees for the protection of local funds and property.
4. Cost of elections held in accordance with G.S. 115D-33 and 115D-35.
5. Legal fees incurred in connection with local administration and operation of the institution.



# Wake Tech's recurring operating request includes required and discretionary items

<u>Expansion Category</u>	<u>Request Type</u>	<u># of Requests</u>	<u>FY 2019 Costs</u>
Commitment	RTP Building 1 Utility Costs and Full-year funding for positions approved in FY 2018	2	\$660,894
Maintain	Campus-Wide Utility and Merit Increases for existing facilities and County funded personnel	2	\$866,975
New	New Personnel requested to address growth in County funded programming and services; includes Wake Invests in Women	7	\$698,861
<b>Total</b>		<b>11</b>	<b>\$2,226,730</b>

# Additional request for one-time start up costs for opening of first RTP Campus building

<u>Items</u>	<u>Amount Requested</u>
FY 2019 Start-Up Costs for First Building in RTP	\$2,537,500
FY 2019 Recurring Operating Request	\$2,226,730
<b>FY 2019 Total Wake Tech County Operating Request</b>	<b>\$4,764,230</b>

County required to provide first-year, one-time funding for staffing when Wake Tech expands capacity by created from new facilities due to the State funding instructional costs in arrears based on course enrollment in Year 2 and beyond.

# NC statutes specific on delegation of funding authority delegated to Counties K-12 education

## County Funding Responsibility

### Direct Delegation of Funding Authority

- G.S. 115C-521: school facilities, furniture and apparatus
- G.S. 115C-249: buildings for bus and vehicle storage
- G.S. 115C-522(c): library, science, and classroom equipment
- G.S. 115C-522(c): water supply and sanitary facilities
- G.S. 115C-524(b): keeping school buildings in good repair
- G.S. 115C-524: school maintenance and repairs
- G.S. 115C-522(c): instructional supplies and reference books
- G.S. 115C-534: school property insurance
- G.S. 115C-525(b): fire inspections

### Indirect Delegation of Funding Authority

- G.S. 115C-431: sufficient funds for operating expenses and capital expenses each year that, when added to other financial resources available to the school unit for these purposes, allow the school unit to provide all students with an opportunity to receive a sound basic education



# At January work session, shared NC K-12 benchmark data

## Per Pupil (PP) in North Carolina

Enrollment and Per Pupil  
Correlations

Top Ten Total, State and  
Local Per Pupil

Total, State and Local  
Per Pupil for Top 10  
Largest Districts

NC District data is as of  
FY17

## Student Performance in North Carolina

Top 10 Graduation Rates

Top 10 SAT Scores

Top 10 EOC/EOG Scores

Data Correlations

## Teacher Pay

North Carolina  
Supplement

National Teacher  
Average

## Demographic Factors

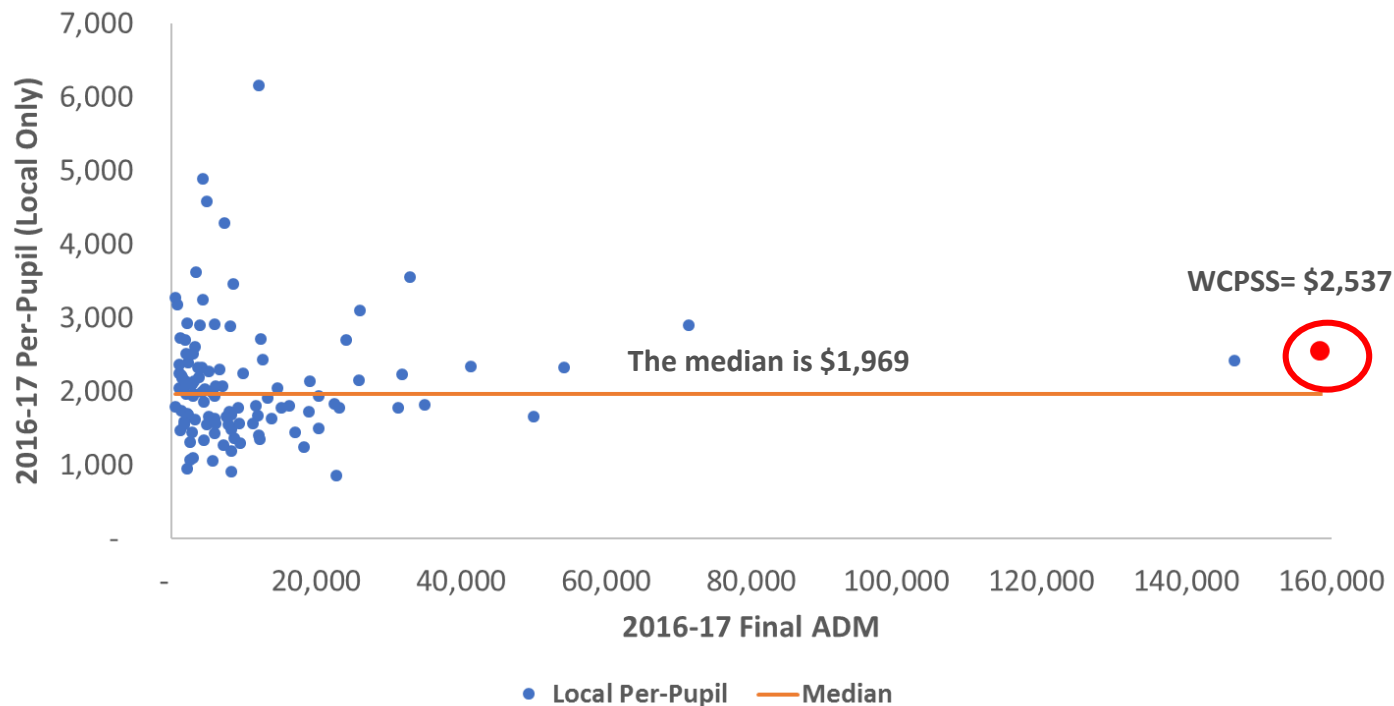
% Free & Reduced  
Lunch (North Carolina)

US Census Data:

- % College Degree
- Median Home Value
- Median household  
Income

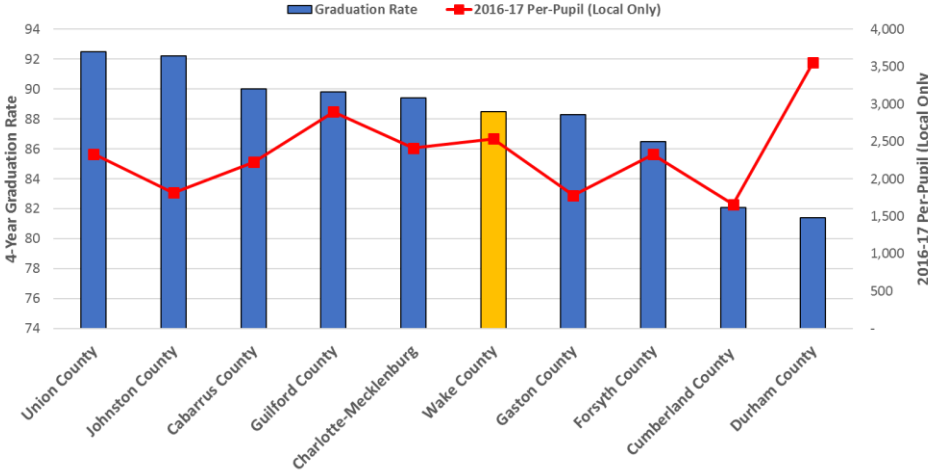
Data Correlations

# Enrollment and Local PPE



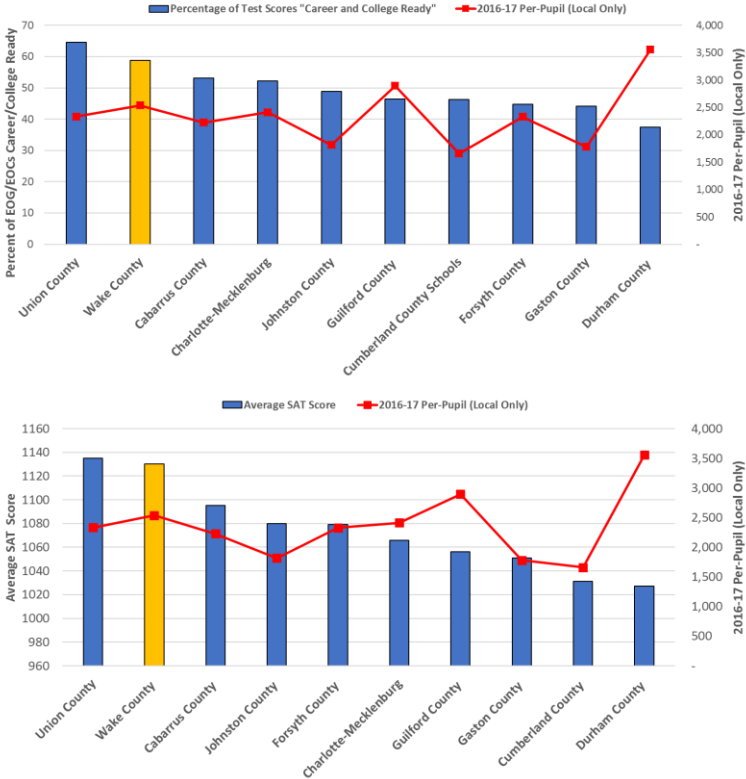
# Performance Data

## Graduation Rates



## SAT Scores

## EOC/EOG Scores



# What if... the highest Total Per Pupil of Large Districts?

**\$300 million and 20 cent increase to fund Durham total per pupil level ; additional per pupil: \$1,899.**

	NC Dept. of Public Instruction Data									
	Enrollment	Total Per- Pupil Rank		Federal Per-Pupil Rank		State Per- Pupil Rank		Local Per- Pupil Rank		Free and Reduced Lunch
District	(1)	Total Per- Pupil (2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(3)
Durham County Schools	32,907	10,641	32	1,114	64	5,971	81	3,556	6	66%
Guilford County Schools	71,396	9,767	51	1,186	52	5,685	104	2,896	15	65%
Forsyth County Schools	54,192	9,234	77	1,106	65	5,800	94	2,327	30	62%
Charlotte-Mecklenburg Schools	146,571	8,842	93	970	87	5,459	111	2,413	26	59%
Wake County Schools	158,394	8,742	98	649	109	5,556	108	2,537	22	34%
Johnston County Schools	34,964	8,575	102	814	101	5,945	83	1,817	67	48%
Gaston County Schools	31,266	8,497	106	1,049	74	5,670	105	1,778	74	66%
Cumberland County Schools	49,928	8,495	107	1,187	51	5,648	107	1,660	82	71%
Union County Schools	41,349	8,403	109	618	112	5,454	112	2,331	29	34%
Cabarrus County Schools	31,876	8,352	112	629	111	5,498	109	2,225	37	42%

(1) Data and Reports - Student Accounting, 2016-17 Average Daily Membership Final, (<http://www.ncpublicschools.org/fbs/accounting/data/>)

(2) Statistical Profile, Table 24, 2016-17 Per-Pupil Rankings, (<http://apps.schools.nc.gov/ords/f?p=145:34::NO::>)

(3) Free and Reduced Meals Application Data, 2016-17, (<http://www.ncpublicschools.org/fbs/resources/data/>)

# Since January, have updates on a couple of benchmarks

Local salary supplement for FY 2018 is available on NC-DPI website

Response to a question regarding how WCPSS would rank in average teach salary nationally if it were a state? What are the results before and after adjusting for cost of living?



# WCPSS continues to have the highest average teacher supplement in the state

North Carolina Teacher Supplements - Top 5 - Per Fiscal Year

School District	Year 2018		Year 2017	Year 2016	Year 2015	Year 2014		Increase FY14 to FY18	
	Teacher No. Rec. Supplmt.	Teacher Average Supplmt.	Teacher Average Supplmt.	Teacher Average Supplmt.	Teacher Average Supplmt.	Teacher No. Rec. Supplmt.	Teacher Average Supplmt.	Dollars	Percent
Wake County Schools	10,105	\$ 8,649	\$ 8,485	6,975	\$ 5,994	9,713	\$ 6,204	\$ 2,445	39%
Chapel-Hill/Carrboro City Schools	1,061	\$ 7,904	\$ 7,873	6,315	\$ 6,892	1,127	\$ 6,441	\$ 1,463	23%
Charlotte-Mecklenburg County Schools	10,624	\$ 7,159	\$ 6,985	6,764	\$ 6,632	10,287	\$ 6,083	\$ 1,076	18%
Durham County Schools	2,285	\$ 6,931	\$ 6,586	6,790	\$ 5,494	2,431	\$ 5,195	\$ 1,736	33%
Orange County Schools	626	\$ 6,274	\$ 6,358	5,200	\$ 5,197	604	\$ 4,881	\$ 1,393	29%
State of North Carolina	100,818	\$ 4,337	\$ 4,194	3,870	\$ 3,689	100,945	\$ 3,553	\$ 784	22%

The average teacher supplement has increased \$2,445, or 39% since FY 2014

# When adjusted for cost of living, WCPSS average teacher pay may surpass the national average in 2017

## Methodology

- Utilized National Education Association (NEA) Average Teacher Salary increases for the most recent three years available (FY 2014, FY 2015 and FY 2016) to estimate FY 17
  - Assume each state average grows at average growth rate from past two years

## Results

- If WCPSS were a state, it would rank 26<sup>th</sup>, ahead of NC at 33<sup>rd</sup>

## Cost of Living Adjusted Data

State	2017 Projected Average*	Rank	Cost of Living Adjustment		
			Adjustment Factor**	Adjusted Salary	Adjusted Rank
Michigan	\$62,028	11	96.54	\$71,509	1
Pennsylvania	\$65,888	10	111.82	\$65,580	2
Massachusetts	\$78,948	3	137.11	\$64,086	3
Ohio	\$56,707	20	98.74	\$63,919	4
Kentucky	\$52,940	28	93.92	\$62,737	5
California	\$80,265	2	142.78	\$62,570	6
Iowa	\$55,649	22	99.00	\$62,563	7
Illinois	\$61,961	12	111.77	\$61,701	8
New York	\$80,560	1	145.65	\$61,563	9
Wyoming	\$58,935	16	106.79	\$61,424	10
United States	\$59,245	N/A	N/A	\$56,290	N/A
<b>WCPSS</b>	<b>\$54,459</b>	<b>24</b>	<b>106.56</b>	<b>\$56,883</b>	<b>26</b>
North Carolina	\$49,509	37	100.35	\$54,912	33

\*Assumes average % growth from past two known years

\*\*Adjusts to United States population weighted average of **111.3**

# County has used a variety of formulas to arrive at school funding recommendations

<u>School Year / Fiscal Year</u>	<u>Board of Education Request (\$)</u>	<u>Total Adopted Budget (\$)</u>	<u>Adopted as % of Request</u>	<u>Increase Over Prior Year Adopted (\$)</u>	<u>Increase Over Prior Year Adopted (%)</u>	<u>Methodological Approach</u>
2001-2002	\$208,942,000	\$193,000,000	92.4%	\$24,504,000	14.5%	Equivalent Tax Rate/Growth in Tax Base
2002-2003	\$203,000,000	\$203,000,000	100.0%	\$10,000,000	5.2%	Equivalent Tax Rate/Growth in Tax Base
2003-2004	\$231,000,000	\$223,700,000	96.8%	\$20,700,000	10.2%	Per Pupil, New Initiatives and Operating Costs Assoc. with New Schools
2004-2005	\$239,405,000	\$234,405,000	97.9%	\$10,705,000	4.8%	Per Pupil and Operating Costs Associated with New Schools
2005-2006	\$265,760,610	\$251,568,000	94.7%	\$17,163,000	7.3%	Per Pupil and Operating Costs Associated with New Schools
2006-2007	\$275,826,781	\$275,827,000	100.0%	\$24,259,000	9.6%	Per Pupil and Operating Costs Associated with New Schools
2007-2008	\$305,725,608	\$300,744,100	98.4%	\$24,917,100	9.0%	Evaluation of WCPSS Budget Request
2008-2009	\$355,484,906	\$316,200,000	88.9%	\$15,455,900	5.1%	Equivalent Tax Rate/ Growth in Tax Base
2009-2010	\$316,841,499	\$313,503,224	98.9%	(\$2,696,776)	-0.9%	Per Pupil
2010-2011	\$313,503,224	\$313,503,224	100.0%	\$0	0.0%	No Change
2011-2012	\$313,503,224	\$314,411,592	100.3%	\$908,368	0.3%	Transfer of County programs to WCPSS
2012-2013	\$323,190,913	\$318,341,737	98.5%	\$3,930,145	1.3%	Equivalent Tax Rate/Growth in Tax Base
2013-2014	\$326,639,200	\$327,496,020	100.3%	\$9,154,283	2.9%	Equivalent Tax Rate/Growth in Tax Base + Funds for Crossroads Admin Lease
2014-2015	\$365,957,404	\$337,676,400	92.3%	\$10,180,380	3.1%	Capacity within the Tax Rate; Increase for Teacher Supplement
2015-2016	\$389,773,230	\$386,000,000	99.0%	\$48,323,600	14.3%	Restore Per-Pupil Funding to Pre-Recession Levels; Increase for Teacher Supplement
2016-2017	\$421,749,600	\$409,911,000	97.2%	\$23,911,000	6.2%	Per Pupil and Operating Costs Associated with New Schools
2017-2018	\$455,129,360	\$430,911,000	94.7%	\$21,000,000	5.1%	Increase \$16 million, 2.5% on Per Pupil; Encourage BOE to allocate recurring unspent appropriation

# What we've found in looking into funding formula across the state

## Benchmarking

Very few counties have formally agreed upon formulas (16)

Of these districts, enrollment is flat

Majority use a measure of per pupil funding and growth

## Approach & Components

Keep it simple

Use variables that are easy to agree upon and are known at the time budgets are developed

Components considered during this presentation:

1. Prior year actual per pupil amounts
2. Enrollment projection, including an estimate for charter funding
3. Facility costs for opening of new schools
4. Inflation

# 1. WCPSS Per Pupil Calculation

## WCPSS Per Pupil Calculation

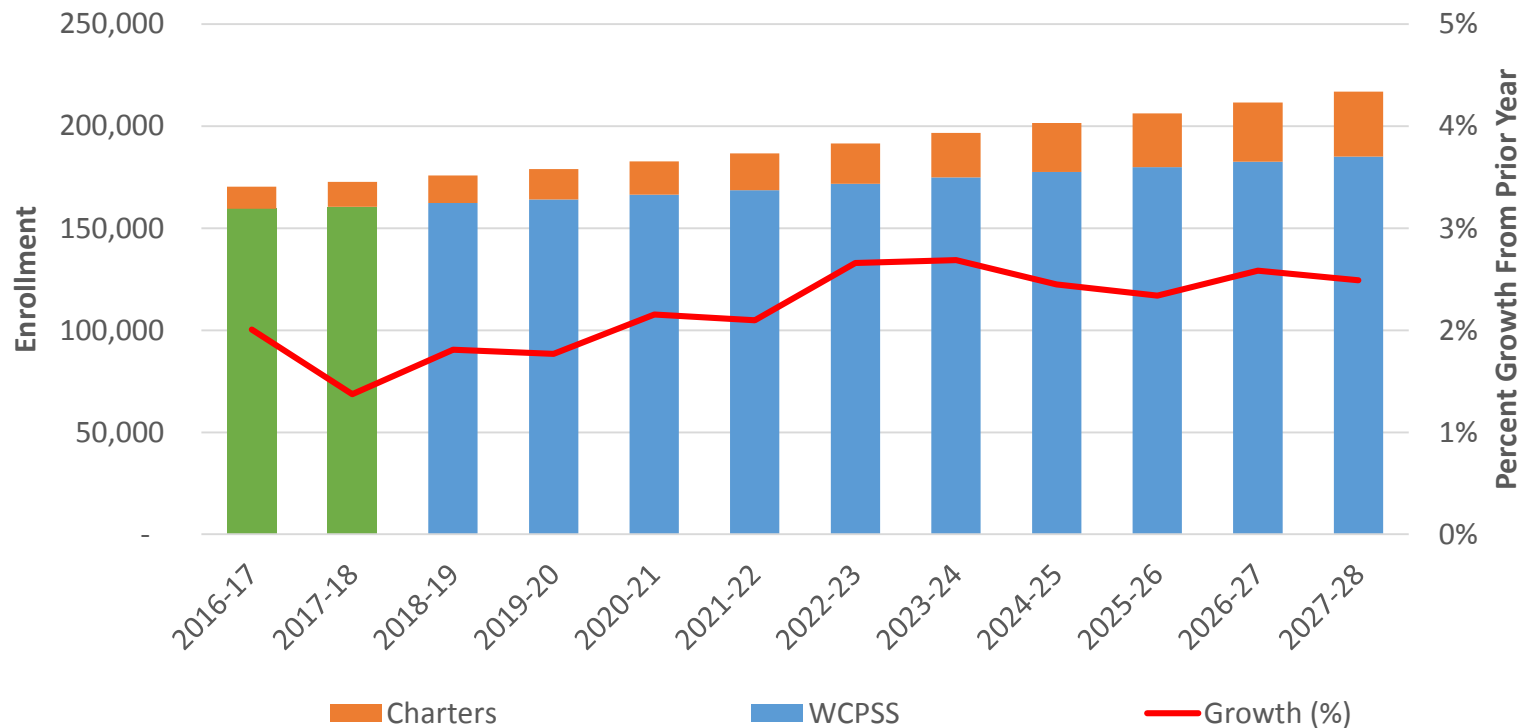
FY18 Total County Appropriation:	\$430.9M
FY18 WCPSS Portion:	\$398.7M
FY18 Charter Portion:	\$32.2M
FY18 WCPSS Enrollment (No charters)	160,429

**FY18 WCPSS Per Pupil: \$2,485**

Calculation:

FY18 WCPSS Portion	\$398.7M
Divided by	
FY18 WCPSS Enrollment (No charters)	160,429

## 2. Enrollment



Green bars denote actuals.

### 3. Costs of Opening New Schools: Standard Elementary Assumptions

1

#### Custodial

Standard Square Footage =  
115,000

Cost per square foot = \$1.33

**Total Custodial = \$152,950**

2

#### Utilities

Standard Square Footage =  
115,000

Cost per square foot = \$1.35

**Total Utilities = \$155,250**

3

#### Building Maintenance

Standard Square Footage = 115,000

Cost per square foot = \$0.89

**Total Maintenance = \$102,350**

4

#### Grounds Maintenance

Standard Acreage = 25 acres

Cost per acre = \$863

**Total Grounds = \$21,575**

Total **County** Cost for opening a standard elementary school = **\$432,125**

# 4. Inflation

## Data Source

U.S. Department of Labor, Annual Consumer Price Index (CPI) for All Urban Consumers

Area: South Urban

## Calculation for FY2019

For FY2019, 2017 would be the most recent known annual CPI

Year	2016	2017	Increase	% Change
CPI	232.692	237.456	4.764	2.05%

Inflation used would be 2.05% for FY2019

Inflation amounts for FY 2015 - FY 2018 (Used for next slide)

Year	FY 2015	FY 2016	FY 2017	FY 2018
Inflation	1.6%	1.7%	-0.18%	1.11%

Note: Different factors could be applied to different expenditure types. In that case, WCPSS would need to provide details not currently available in their budget document.



# Formula Calculation

## Calculation Inputs

Highest Per Pupil	\$2,601
Inflation*	-
<i>FY19 WCPSS Enrollment</i>	<i>162,327</i>
<u><i>FY19 Charter Enrollment**</i></u>	<u><i>13,552</i></u>
Total FY 19 Enrollment	175,879
Cost of Opening New Schools	\$2.9M

\*No inflation assumed in this sample calculation because \$2,601 is the highest per pupil funding level after adjusting historical funding levels to 2017 dollars.

\*\*Charter Enrollment estimated at 10% growth.  
NOT USED IN ACTUAL BUDGETING.  
For Projection Purposes only.  
No Official Charter Enrollment Estimate

## FY 19 Sample Calculation

**FY19 Total Appropriation Projection:**

**\$460.4M**

Calculation:

Highest Per Pupil: \$2,601

*Times*

FY19 Total Enrollment (Incl. Charters): 175,879

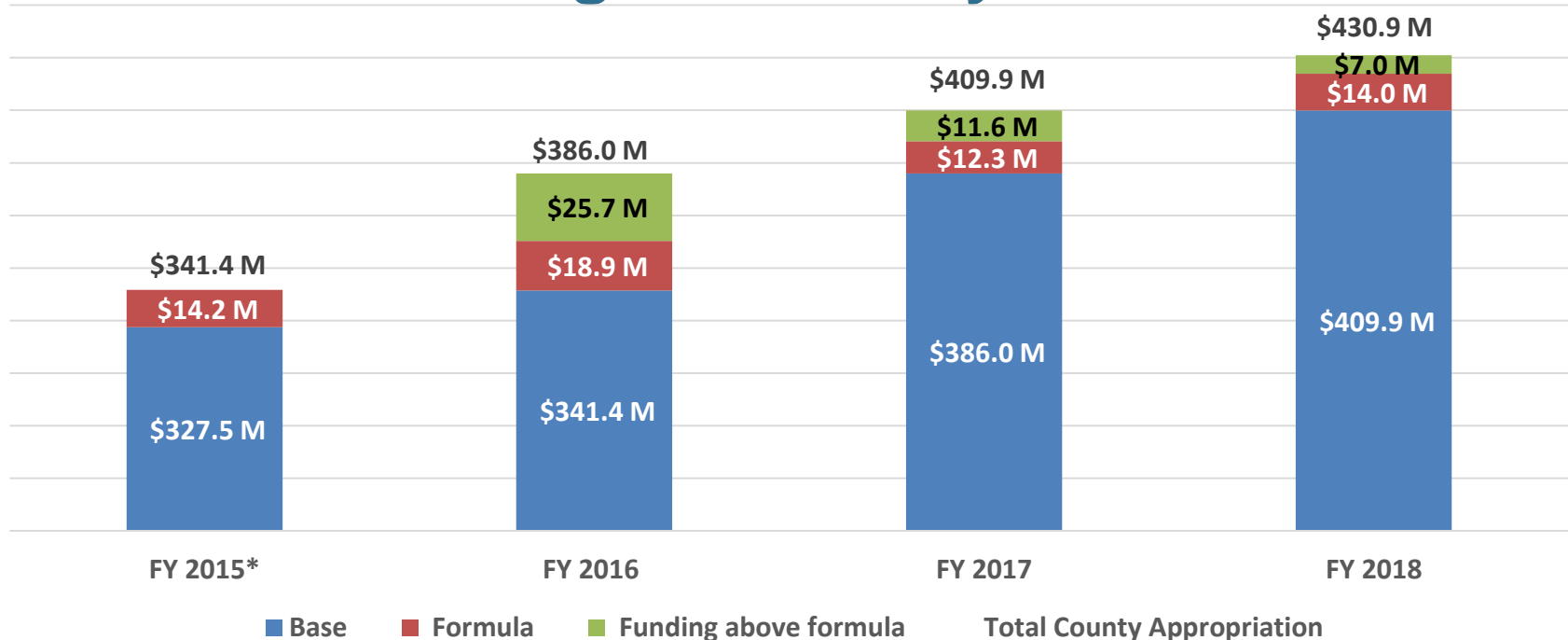
*Plus*

FY19 New School Operating Cost: \$2.9M

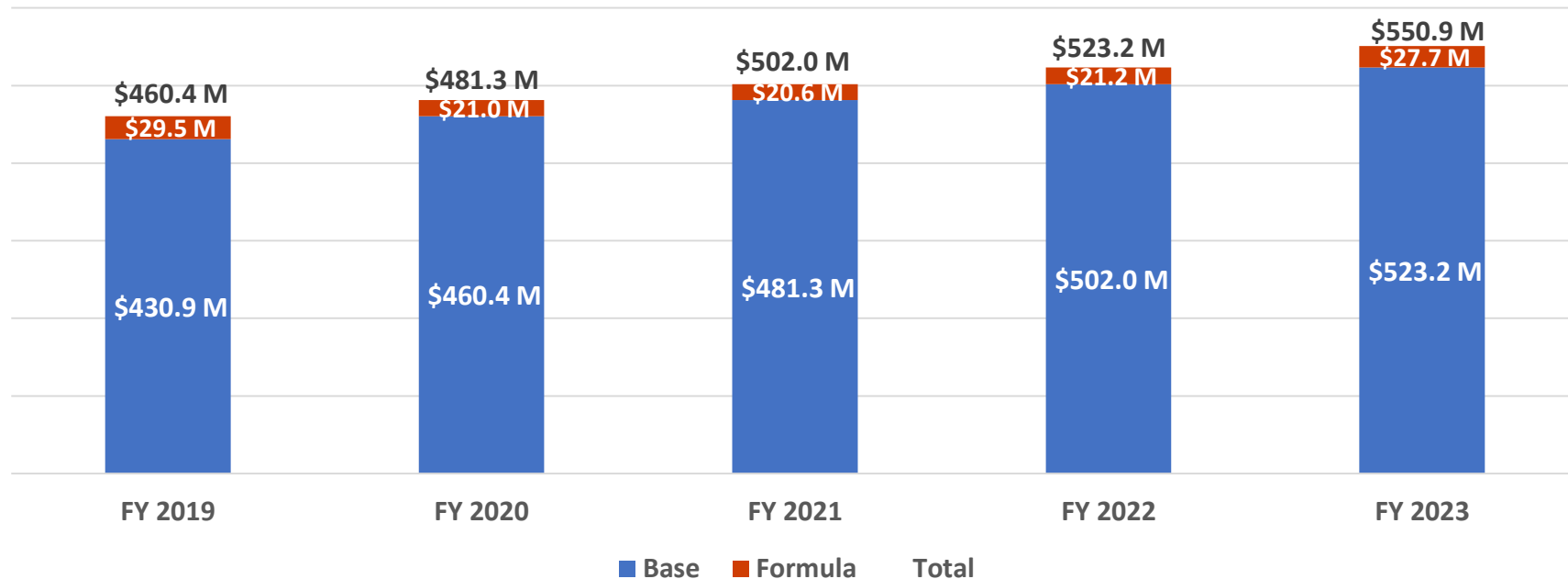
*Equals*

**FY19 Per Pupil: \$2,618**

# Using the formula to roll forward from FY14 (*BOE request fully funded*), actual county appropriation exceeds amounts generated by formula



# If funding were reset to the highest per pupil (adjusted for inflation) of \$2,061, what would the formula yield over the next five years?



**FOR ILLUSTRATION PURPOSES ONLY - NOT A RECOMMENDATION**

A stylized, light blue map of Wake County is centered in the background of the slide. The map shows the county's irregular shape with several indentations and protrusions.

# Board “Take aways” and Questions



# Education Funding Strategies Exercise