

Wake County Board of Commissioners Follow up Questions

Regarding Wake Board of Education's Budget Request May 31, 2018

The following questions seek to clarify responses in the WCPSS document dated May 29, 2018. The clarifying questions are provided below and reference the question number from the May 29th document.

- A. (Prior Question 1). In previous budget documents, it was stated as a goal for WCPSS teachers to be paid at the National Average Salary for Teachers. Was the national average benchmark used for that goal the average salary published by the National Education Association? (See Figure 1 on the following page reflecting 2016 and 2017 data.) Does WCPSS agree that the national average teacher salary for 2017, unadjusted for cost of living, for 2017 was \$59,660 and that WCPSS average teacher salary was \$54,459.90 for 2017? What would be the total dollar amount required to raise WCPSS average teacher salary to the national average based on 2017 data? What amount is included in the current state budget proposal for increasing teacher pay? Is paying teachers at the national average still a goal of the school system?

In 2015-2016, the NEA average was \$57,420, which is the basis for the \$16 million requested. This request was to reach the national average over a 2 to 5-year period. The average in 2015 was based on 2014-2015 data, which would have been available for budget planning for 2015-2016.

The average salary for WCPSS published on May 16, 2018, was \$54,046. The figure quoted in the question is from the Comprehensive Annual Financial Report (CAFR). If the figures were pulled on different dates, it would account for the differences in the average amounts. Thus, the CAFR would be correct.

Our goal is to pay our teachers at minimum at the national average. The projected cost to get our teachers to the national average of \$59,660 is \$79,494,430.03 (salary and current benefit costs of 7.65% FICA and 18.86% Retirement.)

The current state budget proposal includes the following for teacher pay:

8.1 TEACHERS AND INSTRUCTIONAL SUPPORT

- Bachelor schedule starts at \$35,000 with no change to the beginning step.
- Bachelor schedule top of the scale for 25 years and above is \$52,000 (a \$700 increase).
- The increase with the step for Bachelor level teachers with less than 25 years of experience, ranges from \$0 to \$6,450 – or 0% to 14.8%
- Continues the hold harmless based on 2013-14 schedule + longevity + \$1Kbonus.

8.9 Veteran Teacher Retention Bonus

- Provides a \$385 bonus to teachers with 25 years and above, employed as of October 1, 2018, and did not receive an increase in State-funded salary according to the 2018-19 monthly teacher salary schedule. – This will apply to some of the hold harmless teachers.
- Bonus not subject to TSERS
- Must be paid by October 31

Conference Report on the Base, Capital and Expansion Budget

13510-Public Instruction - General Fund

<u>Total Budget Enacted 2017 Session</u>	<u>FY 2018-19</u>
Requirements	\$ 11,306,319,974
Less: Receipts	\$ 1,819,851,323
Net Appropriation	\$ 9,486,468,651
FTE	1,130.847

Legislative Changes

Reserve for Salaries and Benefits

1 Compensation Increase Reserve - Teachers

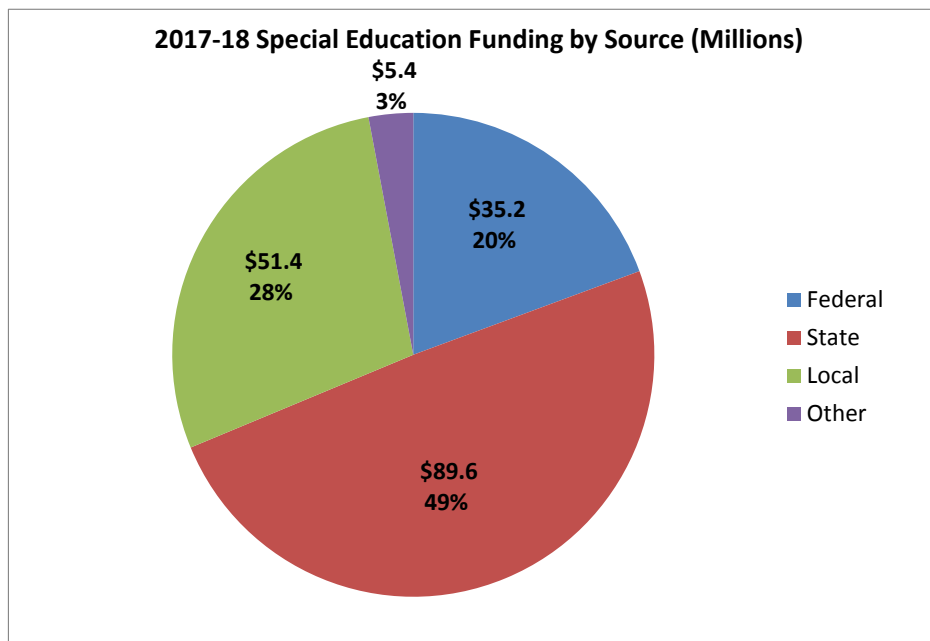
Provides funding for salary increases provided to educators paid in accordance with the teacher salary schedule. The revised teacher salary schedule implements the intended FY 2018-19 schedule as described in S.L. 2017-57, with an increase in the monthly base salary amount for teachers and instructional support personnel with 25 or more years of experience from \$5,130 to \$5,200.

Requirements	\$ 11,831,640 R
Less: Receipts	\$ -
Net Appropriation	\$ 11,831,640
FTE	-

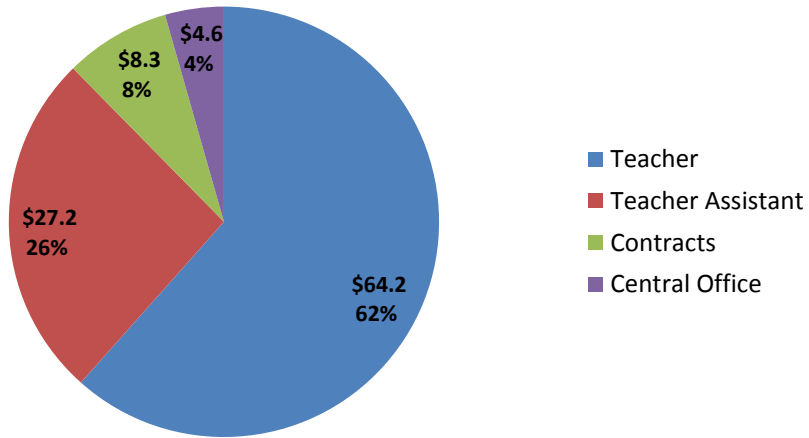
- B. (Prior Question 5). To clarify the question: What is the total dollar amount included in the FY19 budget request for special education programs? Please provide the total amount for each funding category: state, federal and local. Would the level of funding included in the request be sufficient to fund the services required by the state and / or feds? If not, does the FY19 amount requested fulfill the need?

The charts below reflect the SY1718 total amount of special education funding per state, federal, and local. We have not received allotments for state and federal resources at this time for 2018-19. The 2017-18 data is calculated on approved budgets.

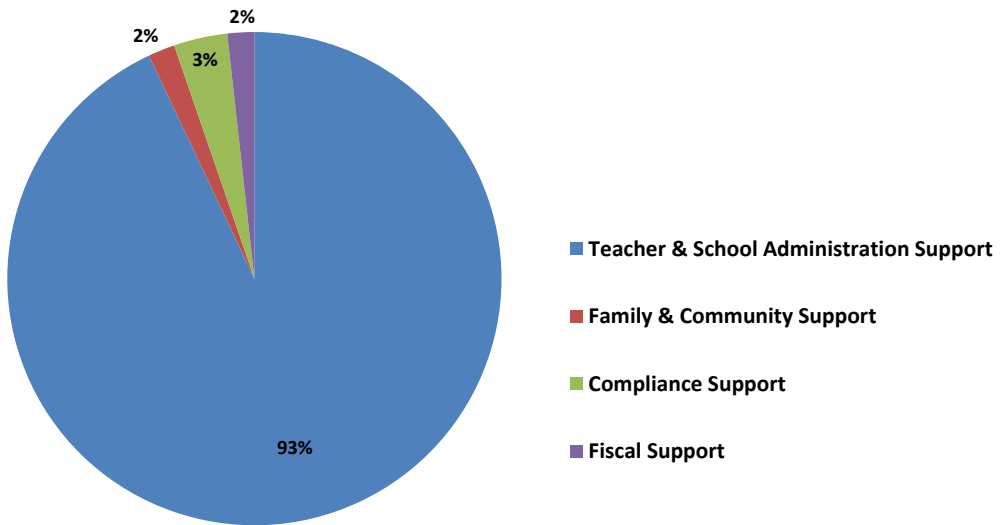
The district has included in the funding request what is needed to provide services required by the state and/or federal authorities. The district did not include in this funding request positions related to growth with regard to new schools opening in SY1819.



**2017-18 Special Education Funding by Spending Category
(Millions)**



2017-18 Special Education Central Office by Position (342 positions)



- C. (Prior Question 6). Does Figure 2 reflect the budget versus actual amounts for FY17, which indicates a variance between budgeted expenditures and actual expenditures of \$23.1 million? What were the variance amounts for FY16 and FY15?

- D. (Prior Questions 7 and 22). For the local current expense fund for FY18, what are the projected actual revenues and projected actual expenditures? Based on this projection, what would be the projected change in fund balance.

A reasonable estimate for 2017-18 revenues is in the \$435 million range. There are minor month to month variances in revenues recorded over the year. The local cost of operations varies throughout the year dependent on percentage of full employment, maintenance and utility needs, funding state mandates, and managing the overall operating budget across funding sources. A projected range of expenditures for the year is \$445 million to \$452 million. The change in total fund balance would range from a \$10 million to a \$17 million reduction.

- E. (Prior Question 7). The WCPSS response stated the “Unassigned Fund Balance is created only when actual revenues exceed actual expenditures.” Would a more accurate statement regarding unassigned fund balance be: “Total Fund Balance change is the result of cumulative actual revenues in excess of actual expenditures. Unassigned Fund Balance is the amount of fund balance remaining after restrictions and assignments of fund balance is calculated and may increase or decrease depending upon the change in total fund balance and the amounts restricted and assignments”? As an example, Figure 3 provides a comparison of WCPSS fund balance amounts excerpted from WCPSS CAFR for fiscal years 2016 and 2017. The total fund balance change from the prior year was very minor increase, while the unassigned fund balance decreased, primarily because of increases in the amounts assigned for Subsequent Year’s Expenditures.

Yes.

- F. (Prior Question 31). The second half of the original question was not fully addressed. Commissioners are interested to learn of other programs not currently funded with county dollars, where the revenue source is expected to decline or be eliminated, such that WCPSS would likely be requesting the County to increase funding to offset the loss of other revenues, including carryover funds. Please provide a summary of the programs and amounts by future fiscal years.

See page 16 of the Board of Educations’ Proposed Budget. There are three items in the Program Continuity Section where federal carryover balances are declining, and the board of education is requesting local funds to continue the staffing and services.

WCPSS currently receives direct federal funding for our Magnet program. The magnet grant is intended to create or expand magnet programs in the district. As each magnet grant ends, the school district must move the recurring costs to other revenues to sustain them.

Our program managers will evaluate the potential changes in actual and carryover balances for each of our grant funded programs this fall. At that time they will have the following information for that analysis:

- *actual carryover from 2017-18*
- *grant award for 2018-19*
- *estimated spending patterns for 2018-19 once employee pay raises and benefit changes are applied to personnel in each grant*
- *new indirect cost rates for 2018-19*

Funding Request Name	Page	State Sources	Local Sources	Federal Sources	Total
PROGRAM CONTINUITY					
SYSTEMWIDE					
Assistant Principal Formula Change for Middle Schools	101	\$ -	\$ 3,145,197	\$ -	\$ 3,145,197
SPECIAL EDUCATION					
Contract Services Previously Funded by the Medicaid Direct Services Reimbursement Program	102	-	2,610,471	(2,610,471)	-
Positions Previously Funded by the IDEA - Early Intervening Services (EIS) Grant	103	719	2,191	(384,945)	(382,035)
Positions Previously Funded by the IDEA Title VI-B Handicapped Grant	104	-	5,466,819	(5,610,944)	(144,125)
HUMAN RESOURCES					
Local Alternative Teacher Preparation (LATP) Participant Fees	105	-	100,000	-	100,000
PROGRAM CONTINUITY TOTAL		\$ 719	\$ 11,324,678	\$ (8,606,360)	\$ 2,719,037

G. (Pages 114-117 of BOE Proposed Budget). Under Legislative Impacts in the WCPSS budget, local share assumed for state legislative salary increase plus additional funding for non-certified staff raises total \$6,063,325. Of this amount, we would like to see the amounts broken down into the following components:

- Amount allocated to matching the state pay increase for employees paid by the state.
- Amount allocated to provide a pay increase to employees paid 100% by the county.
- Amount allocated to increasing non-certified staff raises and the amount of the raise.

	State Funded Positions		Locally Funded Positions		Total
	Base	Supplement	Base	Supplement	
p. 114 Salary Increase - Certified Personnel	\$ 12,166,663		\$ 1,012,115		\$ 13,178,778
P. 115 Salary Increase - Certified personnel Supplement		\$ 2,310,178		\$ 188,997	\$ 2,499,175
P. 116 Salary Increase - Non-Certified Personnel	\$ 4,938,031		\$ 2,177,585		\$ 7,115,616
P. 117 Salary Increase - School-Based Administrators	\$ 736,808	\$ 214,367	\$ 131,666	\$ 28,417	\$ 1,111,258

H. Follow-up to question G: What would be the new impact amounts based on the state's current proposed pay increases broken into the same categories as Question G?

At this time staff are still working through estimates and anticipate providing this information to you at your meeting on Monday afternoon.

Figure 1.

Source: National Education Association

B-6. AVERAGE SALARY OF TEACHERS

	2016		2017		2016-17	
	SALARY (\$)	RANK	SALARY (\$)	RANK	CHANGE (%)	RANK
Alabama	48,518	38	50,391	35	3.9	3
Alaska	67,443	7	68,138	8	1.0	34
Arizona	47,218	43	47,403	44	0.4	45
Arkansas	48,218	39	48,304	42	0.2	47
California	77,179	2	79,128	2	2.5	13
Colorado	51,233	30	51,808	31	1.1	32
Connecticut	72,013	5	73,147	5	1.6	25
Delaware	59,960	14	60,214	14	0.4	41
District of Columbia	73,991	4	75,692	4	2.3	18
Florida	46,612	46	47,267	45	1.4	26
Georgia	54,190	23	55,532	23	2.5	15
Hawaii	56,049	20	56,651	21	1.1	33
Idaho	46,122	47	47,504	43	3.0	8
Illinois	63,475	11	64,933	11	2.3	19
Indiana	53,645	26	54,308	26	1.2	30
Iowa	54,386	22	55,647	22	2.3	17
Kansas	47,755	42	49,422	40	3.5	4
Kentucky	52,134	27	52,338	29	0.4	46
Louisiana	49,745	34	50,000	37	0.5	40
Maine	50,498	33	51,077	33	1.1	31
Maryland	66,456	8	68,357	7	2.9	10
Massachusetts	76,522	3	78,100	3	2.1	20
Michigan	61,875	12	62,287	12	0.7	39
Minnesota	56,913	17	57,346	20	0.8	36
Mississippi	42,744	50	42,925	51	0.4	42
Missouri	47,959	40	48,618	41	1.4	27
Montana	51,034	32	51,422	32	0.8	38
Nebraska	51,386	29	52,338	30	1.9	21
Nevada	56,943	16	57,376	18	0.8	37
New Hampshire	56,616	18	57,522	17	1.6	24
New Jersey	69,330	6	69,623	6	0.4	44
New Mexico	47,163	44	47,122	47	-0.1	50
New York	79,152	1	81,902	1	3.5	5
North Carolina	47,941	41	49,970	39	4.2	2
North Dakota	51,223	31	52,968	27	3.4	6
Ohio	56,441	19	58,202	15	3.1	7
Oklahoma	45,276	49	45,292	50	0.0	49
Oregon	60,395	13	61,862	13	2.4	16
Pennsylvania	65,151	10	66,265	10	1.7	22
Rhode Island	66,197	9	66,477	9	0.4	43
South Carolina	48,769	37	50,000	38	2.5	14
South Dakota	42,025	51	46,979	48	11.8	1
Tennessee	48,817	36	50,099	36	2.6	12
Texas	51,890	28	52,575	28	1.3	29
Utah	46,887	45	47,244	46	0.8	35
Vermont	55,726	21	57,349	19	2.9	9
Virginia	49,690	35	51,049	34	2.7	11
Washington	53,701	25	54,433	25	1.4	28
West Virginia	45,622	48	45,555	49	-0.1	51
Wisconsin	54,115	24	54,998	24	1.6	23
Wyoming	58,140	15	58,187	16	0.1	48
United States	58,479	-	59,660	-	2.0	-

Figure 2.

Source: WCPSS FY2017 CAFR

WAKE COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2017

	General Fund			Variance - Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES:				
County	\$ 407,871,457	\$ 407,871,457	\$ 407,871,457	\$ -
State	20,000	16,136	11,058	(5,078)
Federal	450,000	450,000	519,213	69,213
Other local	6,075,000	6,098,870	6,367,480	268,610
Total revenues	<u>414,416,457</u>	<u>414,436,463</u>	<u>414,769,208</u>	<u>332,745</u>
EXPENDITURES:				
Current operations:				
Instructional services:				
Regular instruction	157,053,830	164,156,445	156,766,405	7,390,040
Special populations	30,941,962	32,590,497	32,030,409	560,088
Alternative programs and services	15,729,711	14,897,766	13,964,560	933,206
School leadership	18,210,177	16,174,945	15,553,840	621,105
Co-curricular	13,177,445	13,172,681	11,885,896	1,286,785
School-based support services	15,745,468	15,623,562	15,078,847	544,715
Systemwide support services				
Support and development	9,727,707	9,307,394	9,029,068	278,326
Special populations support and development	4,067,132	4,057,098	3,941,746	115,352
Alternative programs and services support and development	1,670,859	1,521,820	1,490,102	31,718
Technology support	13,608,829	14,206,253	13,839,947	366,306
Operational support	88,341,874	91,884,494	83,526,452	8,358,042
Financial and human resource	15,188,949	15,878,748	15,065,368	813,380
Accountability	2,842,159	2,704,618	2,570,681	133,937
Systemwide pupil support	4,958,767	4,718,710	4,604,715	113,995
Policy, leadership and public relations	8,006,209	8,834,769	8,124,486	710,283
Ancillary services	520	4,975	4,928	47
Non-program charges	25,416,563	25,629,663	25,499,820	129,843
Unbudgeted funds	3,500,804	726,663	-	726,663
Total expenditures	<u>428,188,965</u>	<u>436,091,101</u>	<u>412,977,270</u>	<u>23,113,831</u>
Revenues over (under) expenditures	<u>(13,772,508)</u>	<u>(21,654,638)</u>	<u>1,791,938</u>	<u>23,446,576</u>
OTHER FINANCING SOURCES(USES):				
Appropriated fund balance	13,772,508	23,649,925	-	(23,649,925)
Transfers out	-	(1,995,287)	(1,995,287)	-
Total other financing sources(uses)	<u>13,772,508</u>	<u>21,654,638</u>	<u>(1,995,287)</u>	<u>(23,649,925)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(203,349)</u>	<u>\$ (203,349)</u>
Fund balances, beginning of year			57,732,186	
Increase in reserve for inventories			484,618	
Fund balances, end of year			<u>\$ 58,013,455</u>	

(Continued)

The notes to the basic financial statements are an integral part of this statement.

Figure 3.
Source: WCPSS FY16 and FY17 CAFR

WCPSS General Fund Fund Balance Analysis		
Source: WCPSS Audited Financial Statements and Annual Operating Budgets.		
	FY 2016	FY 2017
Cash and cash equivalents end of year	\$ 67,675,618	\$ 81,479,359
Beginning Fund Balance	\$ 68,337,612	\$ 57,732,186
Revenues in Excess (less than) Expenditures	\$ (11,598,157)	\$ (203,349)
Change in Reserve for Inventories	\$ 992,731	\$ 484,618
Ending Fund Balance	\$ 57,732,186	\$ 58,013,455
Change in Fund Balance - Increase (Decrease)	\$ (10,605,426)	\$ 281,269
Original Fund Balance Appropriation per WCPSS Budget	\$ (34,069,158)	\$ (13,772,508)
Actual use of Fund Balance Less (Greater) Than Budgeted	\$ 23,463,732	\$ 14,053,777
Fund Balance Designations & Reservations		
Non-Spendable: Inventories and/or Prepaid	\$ 3,523,924	\$ 3,969,557
Restricted - State Statute (includes Encumbrances effective FY11)	\$ 4,116,427	\$ 4,797,511
Assigned		
Special Projects	\$ 14,270,811	\$ 14,420,578
Self-insurance	\$ 10,310,534	\$ 10,372,144
Flexible Benefits Plan	\$ 1,229,780	\$ 1,354,093
Subsequent Years' Expenditures (Budgeted in Following Year's Budget)	\$ 10,400,000	\$ 12,840,355
Unassigned (previously Undesignated)	\$ 13,880,710	\$ 9,889,217
Ending Fund Balance	\$ 57,732,186	\$ 58,013,455
<i>Change in Fund Balance</i>	<i>\$ (10,605,426)</i>	<i>\$ 281,269</i>
Next Fiscal Year's County Appropriation	\$ 409,911,000	\$ 430,911,000
Unassigned Fund Balance as a % of Next FY's Budget	3.4%	2.3%
Board of Education Fund Balance Policy Guidelines		
Undesignated fund balance no greater than 6% of subsequent year's appropriation	24,594,660	25,854,660
Amount in Excess of (Below) 6%	(10,713,950)	(15,965,443)
50% of Undesignated Operating Fund Balance may be used for next year's budget	7,447,377	6,940,355
Amount in Excess of (Below) 50% Policy	2,952,624	5,900,000