

Superintendent's Proposed 2021-22 Operating Budget

April 6, 2021

SUPERINTENDENT'S PROPOSED BUDGET
FISCAL YEAR JULY 1, 2021 - JUNE 30, 2022



 **WAKE COUNTY**
PUBLIC SCHOOL SYSTEM

What Starts Here Changes Everything.

CARY, NORTH CAROLINA

Superintendent's Proposed 2021-22 Operating Budget

Tonight

- Tonight's presentation for informational purposes
- Background landscape as we prepared and now deliver proposed budget
- Potential Risks
- Review of funding requests by category
- Budget development time-line & next steps

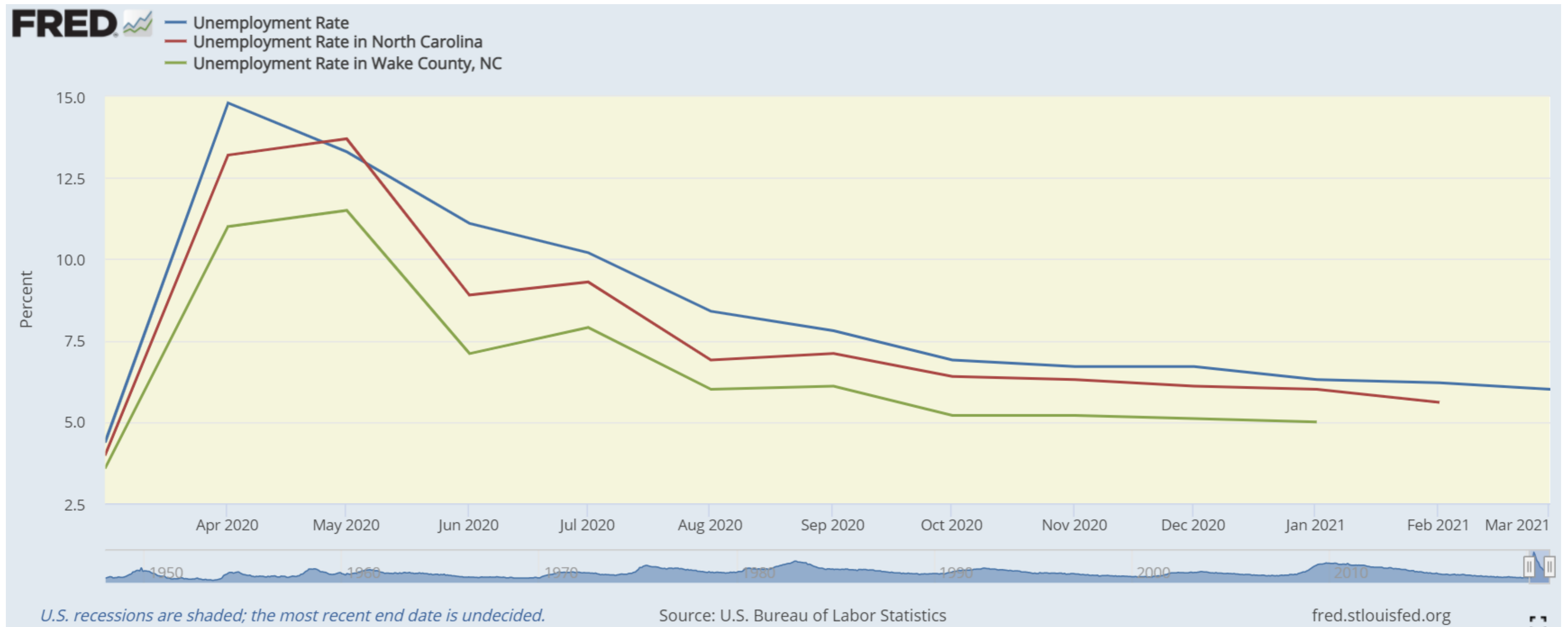
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Background Landscape

- 12 months ago, significant concerns on how the Pandemic would impact the economy
- Concerns of major recession now relieved
- Pandemic did not impact economy extensively, & short lived
- Significant one-time stimulus by Federal Government further assists with use across fiscal years

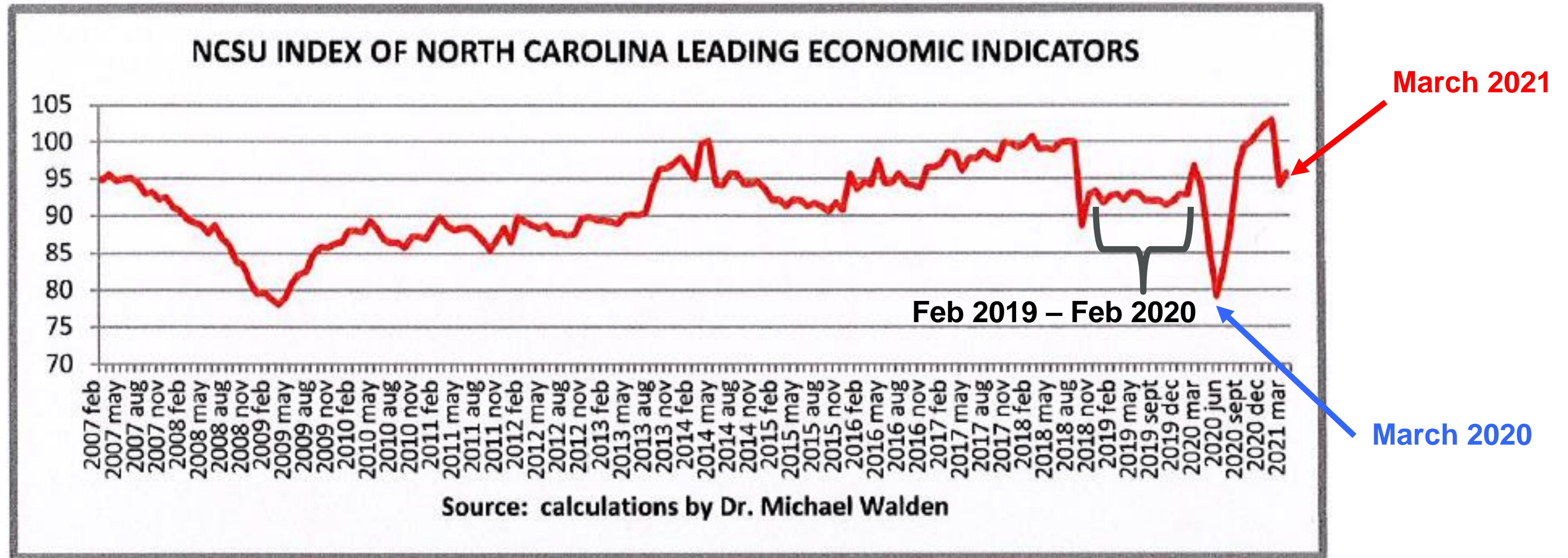
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Background Landscape on Operating Budget - Economic Fears Relieved



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Background Landscape on Operating Budget - Economic Fears Relieved



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Background Landscape on Operating Budget - Economic Fears Relieved

Consensus Forecast

Fiscal Year	Revenue (\$ millions)	Y/Y Change (\$ millions)	Percent Change
2020-21	\$27,602.6	\$3,663.3	15.3%
2021-22	\$27,350.6	(\$252.0)	(0.9%)
2022-23	\$28,461.5	\$1,110.9	4.0%

2021-2023 General Fund
Consensus Revenue
Forecasts

- Forecast projects \$4.13 billion in over collections

Barry Boardman, Ph.D.
Fiscal Research Division
February 17, 2021



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Background Landscape on Operating Budget - Economic Fears Relieved

Consensus Revenue Forecasts

FY 2020-21 Outlook

- Federal CARES act bolstered household and business income
 - Households have received an estimated \$18 billion
 - NC businesses have received an estimated \$12.5 billion
- **The impact of the recession was not been widespread** – a K-shaped recession and recovery
 - Most middle- and upper-income households experienced little economic distress
 - Service workers and part-time workers hit the hardest –we still have over 200,000 fewer jobs than last February

2021-2023 General Fund
Consensus Revenue
Forecasts

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A Staff Agency of the North Carolina General Assembly

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Background Landscape on Operating Budget - Economic Fears Relieved

Consensus Forecast

Biennium 2021-23 Outlook

- FY2022-23 ,expected to collect \$1,110.9 million more than previous fiscal year with 4.0% growth
- **Personal Income** projected to increase 3.4% above the previous fiscal year
- **Sales tax** projected to increase by 3.7%
- **Corporate Income and Franchise** taxes are projected to grow by 3.6%
- Insurance Gross Premiums tax increases 20.5% with addition of Medicaid Managed Care provider fees

2021-2023 General Fund
Consensus Revenue
Forecasts

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NC Revenue Outlook for 2021-23 Biennium

- Anticipating significant economic growth in 2021
- Household savings surged due to stimulus payments and restrained spending on travel and recreation
- Forecast anticipates consumers will significantly increase spending on leisure and hospitality services
- Economic growth will slow to a measured pace during latter half of biennium

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NC Revenue Outlook for 2021-23 Biennium

- Post-pandemic impact on revenue
- Increase in remote working affects local economies
- Shrinking commercial real estate businesses
- Downtown businesses could struggle
- Increased automation trends will impact jobs
- Shopping trends accelerate the growth of online retail
- Transformation of retail could result in loss of many entry-level jobs and abandoned malls

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Wake County Economy

- Wake County Board of Commissioners Financial Planning Retreat March 29
- Link to presentation – [March 29 Wake County Presentation](#)
- Insight into how Wake County Revenues are generated and potential economic implications



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Federal Stimulus

- Federal Stimulus is one-time
- Intentional building of reserves in fund balance to manage future fiscal cliff

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Federal Funding

- **Coronavirus Aid, Relief, and Economic Security (CARES) Act signed into law March 27, 2020**
 - Coronavirus Relief Fund (CRF)
 - Elementary and Secondary School Emergency Relief Fund (ESSER I)
 - Governor's Emergency Education Relief Fund (GEER I)
- **Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act signed into law December 27, 2020**
 - ESSER II
- **American Rescue Plan (ARP) Act signed into law March 11, 2021**
 - ESSER III

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Federal Funding

	Actual			Estimated	
	CARES Act			CRRSA Act	ARP Act
	CRF	ESSER I	GEER I	ESSER II	ESSER III
NC Total	\$3.5 b	\$396.3 m	\$95.6 m	\$1.4 b	\$3.6 b
WCPSS Total	*\$50.7 m	\$27.4 m	\$5.3 m	\$96.0 m	To be determined
Percent of State Total	1%	7%	6%	7%	
Spending Deadline	Dec. 31, 2021	Sep. 30, 2022	Sep. 30, 2022	Sep. 30, 2023	Sep. 30, 2024

**Includes \$29.1 million from Wake County Government*

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Potential Risks

- Projected Student Membership
- Charter Schools Student Counts
- State Held Harmless Provision
- Salary Increases Estimates
- Employer Matching Rate Increases Estimates
- CNS Revenues

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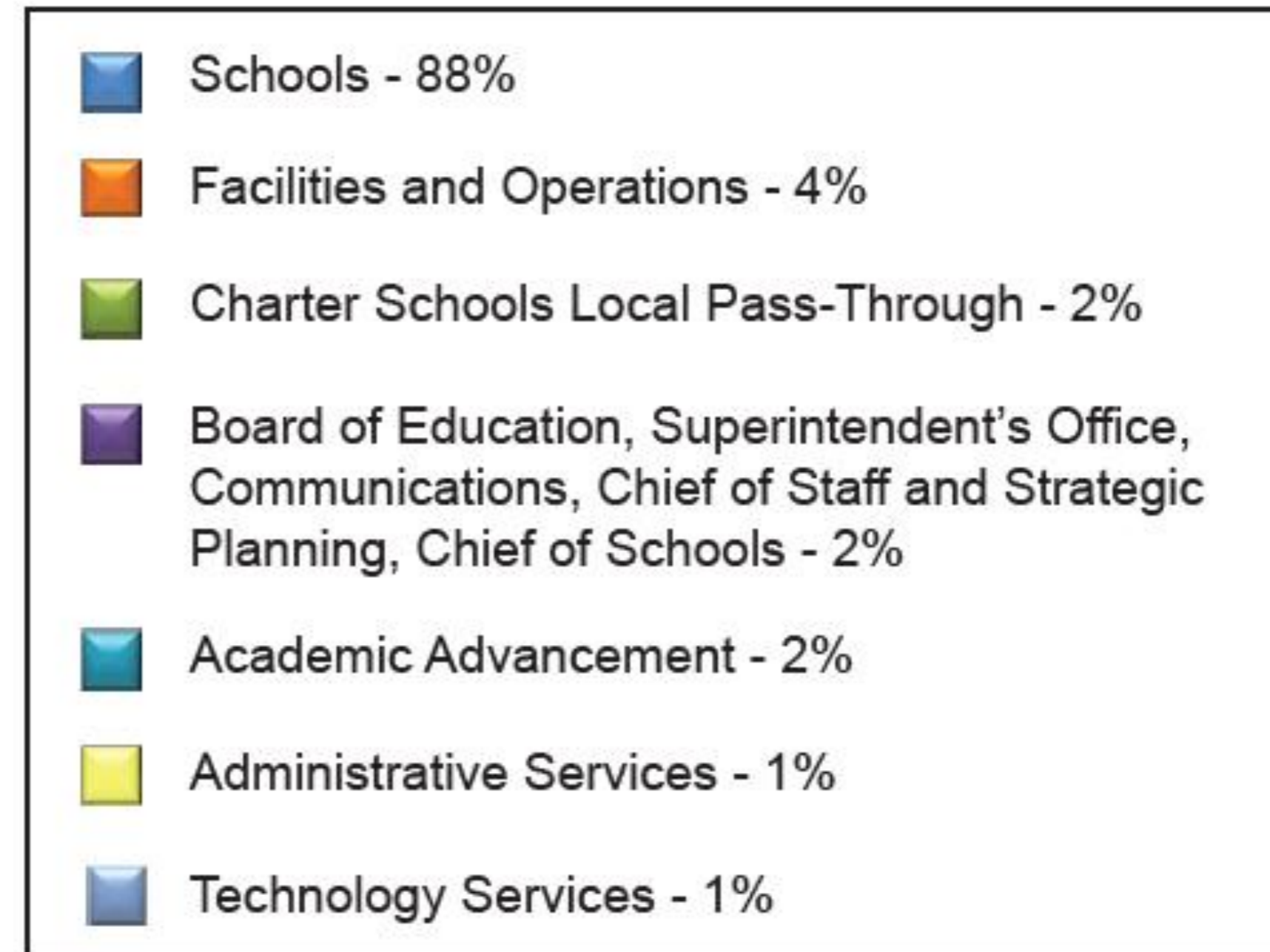
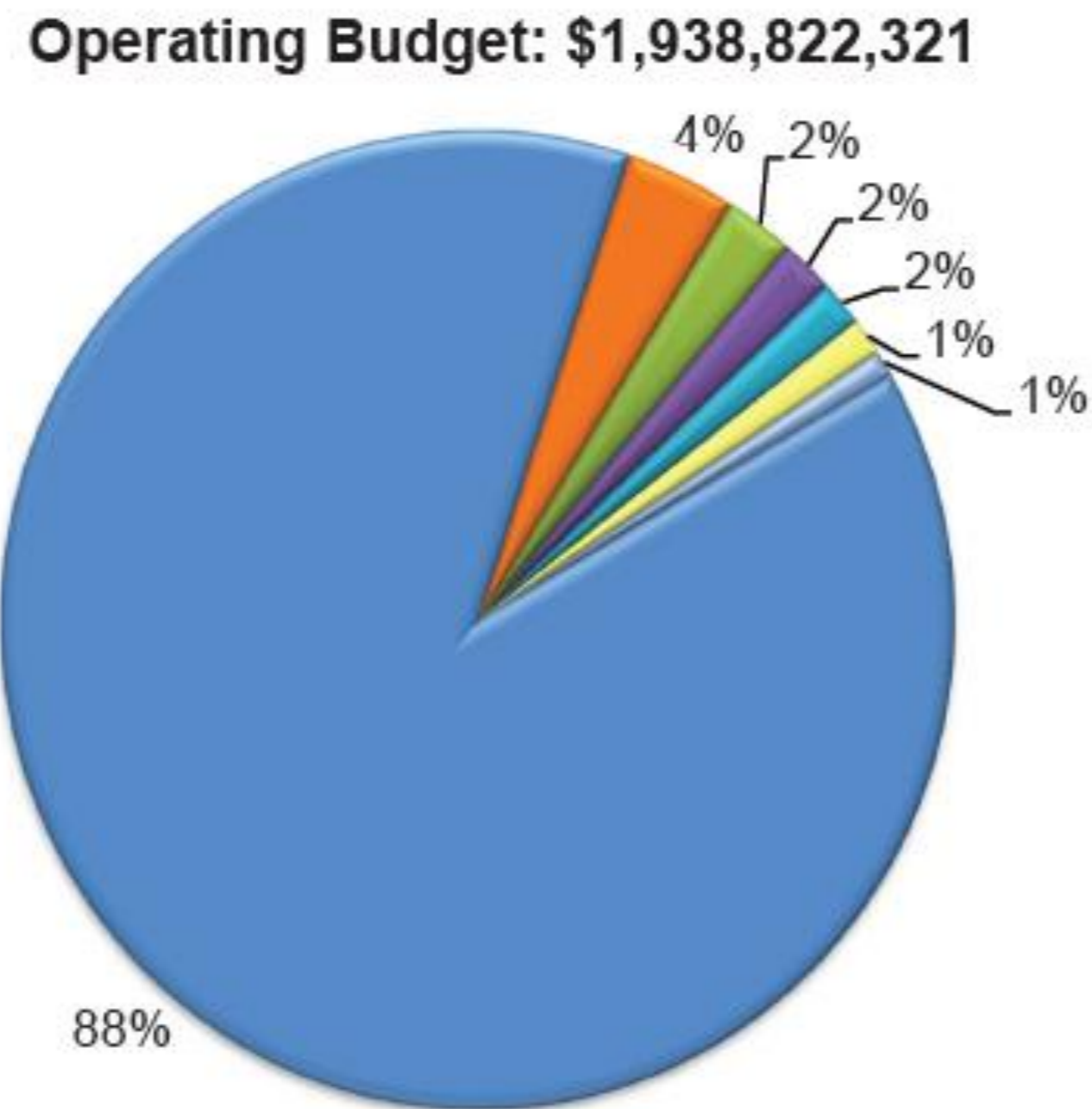
Overall Proposed Budget

- \$1.9 billion total operating budget
- Assumes state continues ADM held harmless provision
- Requests County to make \$11.9 million one-time increase from 2020-21 as recurring
- Requests increase of \$16.3 million in County appropriation
- Invests \$20.1 million of fund balance*

Superintendent's Proposed 2021-22 Operating Budget

Overall Proposed Budget

- \$1.9 billion total operating budget



Superintendent's Proposed 2021-22 Operating Budget

Funding Requests

- Legislative Impact
- New Schools and School Changes
- Student Growth
- Program Continuity
- Increasing Property Costs
- Deferred Operational Needs
- New or Expanding Programs

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Legislative Impact \$16.2 m local funding requested including*:

- \$2.0 m not for WCPSS → Charter School Payments
- \$5.0 m for Employer State Benefit rate increases
- \$4.6 m for K-3 class size phase-in to maintain WCPSS formulas
- \$2.4 m for local portion of estimated Certified Staff Salary increases
- \$2.0 m for local portion of estimated Non-Certified Staff increases
- \$0.2 m for local portion of estimated School-Based Administrator increases

*Requested amounts are in addition to current base budget to meet estimated needs

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Operating Costs of New School - \$3.7 m local funding

- One new school opening → Willow Spring High School
 - Utilities
 - Maintenance
 - CNS Services
 - Custodial
 - Staffing independent of student counts
- Does not include per pupil costs associated with net student growth

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Student Growth - \$5.5 m local funding requested

- Based upon net student growth
- Maintains existing resource allocation formulas

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Program Continuity

- \$0.5 m local funding requested
- Employer Matching Dental Rate Increase

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Property Costs

- \$0.5 m local funding requested
- Insurance increases

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Deferred Operational Needs - \$7.9 m local funding request

- Changed Multi-Year funding requests from five-year plan to six-year plan
- \$6.4 m for Non-Certified compensation (\$35 m six-year phase-in)
- \$1.4 m for Certified Salary Supplement Schedule
- Utilizing *Federal Funding to support multi-year phase-in requests*
 - \$6.8 m for Maintenance & Ops formula alignment (\$30.6 m six-year phase-in)
 - \$0.9 m for Instructional Support Technicians (\$4.7 m six-year phase-in)
- There will be need for local funds in the future to support these recurring costs

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New or Expanding Programs - \$7.9 m local funding request

- \$4.4 m to employ Instructional Assistants for 10 months (currently 9.3 months)
- \$2.4 m for Assistant Principal Formula Change for Elementary and High Schools
- \$0.2 m for High school bookkeeper and data manager grade change
- \$0.2 m for receptionist positions at high schools
- \$0.6 m for Magnet schools
- Utilizing \$8.0 m of federal funding to support School Support for Social Emotional Learning (year three of \$36.9 m six-year phase-in)

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Local Funding Summary

Budget at a Glance

The summary below shows how all changes in local revenues, fund balance, and expenditures impact the county appropriation request. The total change in county appropriation request consists of increases needed in expenditures, as well as replacing decreases in other local revenues.

Decrease in revenues supporting local expenditures (pages 47-51)

Tuition and Fees	\$ (3,728,481)
Child Nutrition	858,642
Local Unrestricted Revenues	(598,646)
Local Restricted Revenues	(1,086,419)
Transfer from Special Funds of Individual Schools	(630,337)
Special Reimbursement Services	(16,700)
	<u>\$ (5,201,941)</u>

Decreases in fund balance appropriated for the local budget (pages 49)

Beginning appropriated fund balance	\$ 11,439,955
Mid-year appropriations of fund balance for one-time costs	(24,196,884)
	<u>\$ (12,756,929)</u>

Changes in local expenditures (page 16)

Legislative Impact	\$ 16,179,263
New Schools and School Changes	3,705,473
Student Growth	5,466,004
Program Continuity	466,334
Increasing Property Costs	530,000
Deferred Operational Needs	7,863,474
Removal of Prior Year One-time Costs	(40,645,315)
New or Expanding Program	7,918,677
Changes to Grants, Donations, and Fees	(2,150,346)
Grants, Donations, and Fees Ending	(991,442)
	<u>\$ (1,657,878)</u>

Equals change in county appropriation (pages 5 and 47)	<u><u>\$ 16,300,992</u></u>
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Other things to note

- Proposed Budget invests \$20.1 m Fund Balance to “balance”
- Exceeds 50% threshold in Board Policy & will require Policy Waiver

Superintendent's Proposed 2021-22 Operating Budget

Orientation to the Budget Document

- Budget document now posted at www.wcpss.net
- PDF available to view or download
- All budget documents posted online:
 - Superintendent's Proposed Budget
 - Board's Proposed Budget
 - Board's Adopted Budget

Superintendent's Proposed 2021-22 Operating Budget

Orientation to the Budget Document

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Overview of where funds originate and where funds are spent
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Summary of how the budget is developed and timeline of budget activities
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List of areas of uncertainty regarding the budget
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Information on student membership with historical data
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Breakdown of schools by grade and school calendar as well as new schools opening in the upcoming school year
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Comparison of the Wake County Public School System's ranking within the state and nationally
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Overview of proposed operating budget changes by category
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List of all funding requests included in the proposed budget

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Next Steps

- Board Questions → Terri Kimzey tkimzey@wcpss.net
- Budget Work-Session - Finance Committee & Board Work-Session April 20
- Public Hearing – April 20 Board Meeting
- Joint Board's Meeting – TBD
- Additional work-sessions as required
- Board approves Proposed Budget – May 4
- Proposed Budget to County by May 15

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Board Work-Sessions

- Board discussion & direction to Superintendent & Staff to make changes
- Direct questions to Terri Kimzey, Sr. Director of Budget at tkimzey@wcpss.net
- Questions & responses to be reviewed in work-sessions and posted on-line

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