

**Wake County Public School System
Potential Risks**

Potential risks highlighted in yellow are additional items since the Board of Education's Proposed Budget.

Description	MOE	Potential Dollar Impact to Local
Affordable Care Act		
Effective January 2015, the Affordable Care Act requires large employers (those with over 50 employees) to offer health care insurance to employees that work beyond 30 hours per week on average. The measurement period for continuing employees is a 12-month 'look back' average of time worked and the measurement period for new hires considered full time is on a monthly basis. Based on last fiscal years experience, we expect that approximately 200 to 250 employees will be considered 'newly eligible' each fiscal year and offered the High Deductible Health Plan with less than a one percent acceptance rating. The State Health Plan cost allocation for employers is currently set at \$127.44 per month per employee electing coverage.		
Charter Schools		
In accordance with General Statute 115C-238.29H, local current expense revenues are distributed to charter schools based on the number of charter school students. There was a 26 percent increase in charter school students over the last two years. The amount of increase in 2017-18 will depend on student membership of Wake County Public School System (WCPSS) students, Wake County students attending charter schools, and total local current expense revenues. The proposed budget includes an increase of \$6.8 million for 2017-18. The actual increase could be higher. Existing charter schools project an increase of 1,472 Wake County students. Two new charter schools will open in 2017-18 serving another 1,063 Wake County students.		
Continuation Budget Funding - Student Growth		
Senate Bill 744, Section 6.4(b) legislated in the state's final 2014-15 budget, repealed the previous definition of Continuation Budget and replaced it with a new definition. Student growth is no longer included in the state's Continuation Budget. School districts will not know if they will receive an increase in funding for student growth until the state budget is adopted. WCPSS allots resources to schools in the spring for the coming year, and recruits to fill teaching positions during the same time period. If the state does not fund student growth, other sources of revenue will need to be identified to support staffing levels, or staffing levels will need to be adjusted.	2,978.19	\$ 16,127,732
Federal Resources		
There is a potential risk of federal reductions in funding for public education if the federal government redirects resources to alternatives. The repeal and replacement of the Affordable Care Act may eliminate the reimbursement for Medicaid billable services to schools. There is a potential loss of E-Rate reimbursement. All three of these items would directly impact federal resources in the school system's budget. Given the President's proposed budget, there are potential reductions in Title II and other federal grants.		
Lapsed Salaries		
The budget includes 5,800 Months of Employment (MOE), or approximately 580 positions or \$19.5 million, to be paid by lapsed salaries. This equates to 2.8 percent of all months. The typical vacancy rate has been 4.2 percent.	5,800.00	\$ 19,500,000
Magnet New and Revised Theme Schools		
The board of education approved one school to become a new magnet and three magnet schools to significantly revise their themes in November 2016. Positions are allotted in magnet schools in alignment with the Magnet Theme Essentials. Magnet programs of like themes receive equal allotments according to the formula. The proposed budget includes an increase of \$2.0 million to cover the cost of additional position allotments and funds for professional development, supplies, and fees that support the schools theme development. It is possible that WCPSS will receive funding from the magnet grant to cover most of these costs which would result in a savings.	(175.00)	\$ (2,023,083)

Description	MOE	Potential Dollar Impact to Local
Pay Raises		
The Board of Education's Proposed Budget includes an estimated 3 percent increase in salaries to be approved by the General Assembly. Any salary increases approved different than the estimated 3 percent will impact budget costs.		
Pension Spiking		
Pension spiking is a substantial increase in compensation that results in unusually high liabilities to the Retirement System. The Anti-Pension Spiking Contribution-Based Benefit Cap approach to limiting pension spiking will prevent employers in the Retirement Systems from absorbing the additional liabilities caused by pension spiking by other employers. The pension spiking cap only applies to individuals with an Average Final Compensation (AFC) of \$100,000 or higher, adjusted annually for inflation, and will only directly impact a small number of those individuals. The maximum number of people per year who can be affected by the cap is 0.75 percent of retirees. For members who enter the Retirement System from which they retire before January 1, 2015, the last employer will pay the cost of the additional liability on the Retirement System caused by the pension spike. For members who enter the Retirement System from which they retire on or after January 1, 2015, the employer or employees may pay for the additional liability, or the employee can choose to receive a reduced benefit. The Wake County Public School System (WCPSS) receives a list for review of employees who may fall into this category on a monthly basis.		\$ 1,200,000
Retirement and Hospitalization Rates		
The rates in the proposed budget are \$5,844 per employee for health insurance and 16.54 percent for the retirement rate. The Senate's proposed increase for 2017-18 in health insurance is \$5,869 per employee, and the proposed retirement rate increase is 16.69 percent.		\$ 408,253
The House's proposed increase for 2017-18 in health insurance is \$5,869 per employee, and the proposed retirement rate increase is 17.21 percent.		\$ 1,623,753
Unemployment Reserve		
Beginning with the new law changes effective June 30, 2013, WCPSS was required to build and maintain an account balance reserve of 1 percent of annual taxable wages. The reserve was established in 2013-14. There will be an annual reconciliation process that could require additional budget dependent on turnover rates, head count, and taxable wage base.		
Class size Legal Requirement for Compliance		
HB13 provided flexibility in the class size legislation for 2017-18; however, school districts will be required to lower class sizes in grades K-3 in 2018-19 if no additional dollars from the state for program enhancement.		\$ 24,586,461
Cooperative Innovative High Schools (CIHS)		
Senate - Provides a 25% reduction for CIHS in Tier III which have received an allotment for at least 3 years. 50% reduction in the years after. For all CIHS in Tier I which did not receive funding, the remaining allotment shall be distributed evenly. For the remaining CIHS which are not in Tier I, they shall be permitted to operate as CIHS –this includes Wake CTE HS North.		\$ 237,486
House - Allotment for all CIHS becomes \$200,000.		\$ 66,584
Loss of Flexibility Limited English Proficiency (LEP) and Academically Intellectually Gifted (AIG)		
The Senate's proposed change in flexibility for LEP and AIG will increase costs. WCPSS will no longer be able to assign the more experienced LEP and AIG teachers to the classroom teacher position allotment.		\$ 4,841,736
Property and Liability Insurance		
Potential increase in rates.		\$ 400,000
Raising the Funding Cap for Special Education		
The House proposed an increase to the cap for children with special needs from 12.5 percent to 13 percent which would provide additional state funding in this program.		\$ (3,300,000)
Reduction of Central Office Funds		
Senate - 10.5 percent or \$10 million reduction in 2017-18. The reduction increases to \$15 million in 2018-19. The impact on WCPSS is approximately \$1 million in 2017-18 and \$1.5 million in 2018-19.		\$ 1,000,000
House - 5 percent or \$5 million reduction in 2017-18, and \$10 million reduction in 2018-19. The impact on WCPSS is approximately \$500,000 in 2017-18 and \$1 million in 2018-19.		\$ 500,000