Purpose:
Discuss aspects of the CMS budget in preparation for new strategies and budget considerations for FY2023

Overview

1. Current status of the Board Priority
2. Factors to consider in the budget
3. Best practices and examples from other jurisdictions
Educational Attainment
Link existing allocations to strategies and targets to improve college and career readiness outcomes for all students

Current Status

- The BOE has initiated a strategic planning process and established goals and guardrails
- The BOCC and BOE met jointly to discuss Student Outcomes Focused Governance, new goals adopted by the BOE, and the need for regular joint meetings.
- CMS has approved School Improvement Plans and posted the plans on their website
- The Manager has requested financial information on actual expenses to serve as starting-point for joint discussions with CMS - this information is pending
- CMS is working to develop strategies to achieve the newly established goals
What Are Budget Realignments?

**Base Budget:** Cost to fund the same activities for another year
- Elimination of one-time expenses from prior years
- Account for shifting inputs (ex. fewer customers)
- Account for shifting responsibilities – (ex. State or Federal taking on services)
- Annualization and benefit changes

**Realignments:** Moving existing budget to accomplish different strategies
- Address performance gaps
- Move resources from **low priorities to higher priorities**
- Elimination of obsolete or failing programs to fund new programs **based on strategies**

**Enhancements:** New funding for expansion or new services
- Considered only after the budget has been assessed for realignments

What We Know Today

**Information We Have**
- FY22 budget detail
- Prior funding trends
- Enrollment trends
- Latest Employee Cost Index for teachers
- 4 Identified goals and guardrails

**Information We Don’t Have**
- Actual expenses
- FY23 enrollment projections
- Final Employee Cost Index
- Strategies to achieve the BOE goals
Average Teacher Salary Supplements

Mecklenburg County is the 2nd highest out of 115 districts in NC

Source: NCACC 2021 Map Book https://indd.adobe.com/view/0b870ba4-40ec-45c0-9661-86c5ab0a0fd6

Local Current Expense Per-Pupil

Mecklenburg County is 93rd in per-pupil spending

Rank fell by 3

Source: NCACC 2021 Map Book https://indd.adobe.com/view/0b870ba4-40ec-45c0-9661-86c5ab0a0fd6
County Funds Can Only Be Allocated By Broad Categories

**Instructional Services:**

$275.9M

Includes the costs of activities dealing directly with the interaction between teachers and students, and directly managing learning within a particular school.

**System-Wide Support Services:**

$185.3M

Includes the costs of activities providing system-wide support for school-based programs, regardless of where these supporting services are based or housed.

**FY22 Budget in Millions**

- Support and Development – $10.1
- Special Populations Support & Development – 1.8
- Alternative Programs Support & Development – 2
- Technology Support – 14.2
- Operational Support – 109.7
- Financial & HR – 23.3
- Accountability – 5
- System-wide Pupil Support – 4.1
- Policy Leadership & PR – 15.2

**Non-Programmed Charges:**

$76.8M

Conduit-type payments

- Payments to Charters - $76.8M

**Ancillary:** $.05M

Activities that are not directly related to the provision of education for pupils in a local school administrative unit.

- Nutrition Services - $.05M

**Non-Charter County Allocations**

<table>
<thead>
<tr>
<th></th>
<th>Instructional Services</th>
<th>System-Wide Support Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wake</td>
<td>34%</td>
<td>66%</td>
</tr>
<tr>
<td>Mecklenburg</td>
<td>40%</td>
<td>60%</td>
</tr>
<tr>
<td>Forsyth</td>
<td>33%</td>
<td>67%</td>
</tr>
</tbody>
</table>

- More of the Wake County allocation goes to Instructional Services (results in higher subsidy)
- 6% points = $30M
- 2022 1st month ADM 155,217
- More of the county allocation goes to System-Wide Support
- $6M more for Policy, Leadership & Public Relations than Wake County
- $6M more Financial & Human Resources than Wake County
- 2022 1st month ADM 138,017
- Similar to Wake ratios
- 2022 1st month ADM 50,937
How County Funds are Used

$538M in Annual Operating

- $360M (67%) – Salary and Benefits
- $77M (14%) – Charter Schools
- $101M (19%) – Operations (contracts, commodities, furniture and computers)

$4.96M Capital Maintenance
$18M Deferred Maintenance

$260 Million County Funded Salaries

Classroom 49%

Supplements 87,013,804
Teachers 25,921,180
Teacher/Media Assistant 7,630,271
Substitutes 4,608,250
ROTC Instructor* 1,913,802
Total 127,089,329

Lapsed Salary Budgeted as Operations 4%

Lapsed Teacher 10,723,371

Other 3%
overtime, additional responsibility stipends, annual leave, staff development pay, longevity, and other supplements to base pay 6,659,419

Support 4%

Social Worker/Counselor/ Media Spec. 9,386,225
Psychologist 1,333,681
Speech Pathologist/Audiologist 218,565
Total 10,938,471

District Leadership 5%

Director/Supervisor 10,291,600
Associate Superintendent 1,181,646
Area/Assistant Superintendent 803,237
Board Stipend/ Expenses 256,749
Superintendent* 162,956
Total 12,696,188

Facilities, IT, Security, Transportation 14%

Skilled Trades 13,308,257
Custodian 12,515,527
Technician- Technology 5,928,256
Bus Monitors 1,947,407
Drivers* 836,830
Resource Officer/Campus Sec. 603,964
Operational Support Manager 437,411
Total 35,577,652

Admin./Office 12%

Administrative Specialist 21,487,199
Office Support 8,922,782
Total 30,409,981

School Leadership 10%

Assistant Principal 10,848,173
Deans/Facilitators 10,033,689
Principal* 4,491,126
Principal Bonuses 974,000
Total 26,346,988

* Funding excess of State rate of pay
• County funding for support positions was repurposed in FY2018 ($1.8M / 12 positions) and FY2021 ($3.4M / 15 positions).

• In total, since FY2015, CMS has repurposed $5.2M in funding provided by the County for requested support positions to use for other purposes.

• $3.8M was originally requested and recommended for FY2022, but Federal Sources are expected to cover this cost through contractual services.

• The county also funds 4 CMS positions through the DSS budget that work within CMS to coordinate private mental health services.

### County Funded Support Position Totals (2015-2021)

<table>
<thead>
<tr>
<th>Position</th>
<th>Requested By BOE</th>
<th>Funded By County</th>
<th>Adopted By CMS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Counselors</td>
<td>317</td>
<td>173</td>
<td>173</td>
</tr>
<tr>
<td>Social Workers</td>
<td>104</td>
<td>128</td>
<td>234</td>
</tr>
<tr>
<td>Psychologists</td>
<td>40</td>
<td>70</td>
<td>70</td>
</tr>
</tbody>
</table>

### Employee Cost Index – Teacher Salaries

- **Employment Cost Index (ECI)**
  - 2% - Sept. 2021
  - Bureau of Labor Statistics economic indicator that measures changes in the cost of employees to employers
  - One variable used in dispute resolution
  - Value that would apply to 2023 is not available until July

### Employment Cost Index (Wages and Salaries for Elementary & Secondary Schools)

- Calendar Year Quarters

- 12 month % Change
  - 4.10%
  - 0.70%
  - 2.00%
State vs. County Operating Funding – Excluding Charter

<table>
<thead>
<tr>
<th>Year</th>
<th>County Operating</th>
<th>State Operating</th>
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</thead>
<tbody>
<tr>
<td>2012</td>
<td>$310.0</td>
<td>$667.9</td>
</tr>
<tr>
<td>2021</td>
<td>451.15</td>
<td>919.4</td>
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<tr>
<td>9 Year Change</td>
<td>141.2</td>
<td>251.5</td>
</tr>
<tr>
<td>Percent Change</td>
<td>46%</td>
<td>38%</td>
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Source:
CMS 2021 Annual Comprehensive Financial Report, Pg. 84

Change in Enrollment

- Charter enrollment has grown steadily each year
  - Averaging 1,558/year
- CMS enrollment has declined

Change in Enrollment (as of the 1st month of school)

- CMS Change in Average Daily Membership
- Change in Charter Membership
County Funding Budget Variance

- Charter school pass-through was underspent in 2017, 2018, & 2019
- As charter enrollment drove spending above the budget in 2020, the cost was offset by the other areas
- Funding follows the student when enrollment changes mid-year and should be factored in the base budget for the next year if CMS enrollment declines

CMS Fund Balance

- CMS has an unassigned General Fund balance of $16.7M at the end of FY2021, a $1.3M decrease
- Total General Fund Balance increased to $96.1M
- State funds revert to the State at the end of the year
- The LGC does not prescribe a minimum fund balance for Schools
- Counties cannot make schools appropriate fund balance, but it can be taken into consideration when determining the budget
What’s Next?

- Data in 3rd and 4th quarter will help to inform the Manager’s budget recommendations

- Details of actual expenses are still required to fully assess the need for County resources and any request from CMS

- CMS will need to develop specific, actionable strategies to achieve new goals

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Best Practices and Examples
Long Beach Unified School District

- Currently engaged in Student Outcomes Based Governance as part of their continuous improvement efforts
- Strategic plan tied to budget
  - Specific strategies aligned to each goal
  - Cost estimates and funding sources
  - Expected outcomes for each strategy
  - Lead department or individuals are assigned to own each strategy
- An accountability plan is published based on actual performance and spending, as required by the State of California

Source: https://www.lbschools.net/Departments/Strategic_Planning/

Aurora Public Schools

- Underwent Budget Redesign in FY2018 to identify several realignments
- Completed Student Outcomes Based Governance in 2020
- Identified Goals are used as Budget Priorities

Budget Realignments

- Transfer information technology (IT) and construction staff salaries from the general fund to the bond fund
- Streamline extracurricular activities compensation model to minimize the impact on extracurricular offerings
- Ensure transportation support is safe and fiscally efficient by eliminating Late Start Wednesdays, reducing reliance on outside contractors and maximizing tiered routes
- Shifting from district-level broad support to focusing on teaching and learning in the classroom
- Shifting from district-delivered professional learning to localized and personalized learning

Source: https://www.lbschools.net/Departments/Strategic_Planning/
https://aurorak12.org/about-aps/budget-redesign/#summary
Fairfax Public Schools

- Aligns the entire budget to the Strategic Plan
- All costs are allocated to broad goal areas and to desired outcomes
- Provides transparency to assess the linkage between resources and outcomes

Source: https://www.fcps.edu/about-fcps/budget/budget-documents

How to Align Strategic Budgeting to Purpose/Function

<table>
<thead>
<tr>
<th>Purpose/Function</th>
<th>Realignments</th>
<th>Strategy 1</th>
<th>Strategy 2</th>
<th>Strategy 3</th>
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</thead>
<tbody>
<tr>
<td>Support and Development</td>
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<td>$XX,XXX</td>
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<tr>
<td>Special Population Support and Dev.</td>
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<td>Policy, Leadership and Public Relations</td>
<td>($XX,XXX)</td>
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Anticipated Outcomes
Summary

• There are well established best practices and examples from other jurisdictions that can be used as a model

• Once actionable strategies are developed, the County should expect budget realignments to tie funding to the new strategies

• County Staff will continue to work toward an accountability system of ongoing communication and reporting between Charlotte-Mecklenburg Schools (CMS) and Mecklenburg County regarding finances and performance outcomes achieved based on investments made within CMS