



New Hanover County Schools  
*Engaging Students, Achieving Excellence*

DR. TIM MARKLEY  
Superintendent

OFFICE OF THE SUPERINTENDENT

May 7, 2019

**To the Members of the New Hanover County Board of Education,**

I am pleased to present the recommended budget for the 2019-20 fiscal year, and have summarized the estimated revenue and proposed expenditures below. Recommended expenditures are aligned to the New Hanover County Schools Mission and Strategic Plan.

***Mission Statement***

The mission of New Hanover County Schools, in collaboration with our parents and the community, is to strive to provide children with an opportunity for a superior education in a safe and positive learning environment where they are prepared with the skills to succeed.

***Strategic Goals for 2016-2020***

**Achievement** - Continue to deliver high-quality education to all students in New Hanover County Schools.

**Environment** - Provide and maintain a safe, respectful, and secure learning environment where citizenship is valued.

**Partnerships** - Strengthen family, community and business partnerships through mutual collaboration and communication.

**Talent Development** - Recruit and retain highly qualified employees that implement and support district goals to ensure academic excellence for all students.

**Lifelong Learning** - Improve access to high quality and relevant Career-Technical courses, which prepares students for lifelong learning and employment through the development of adaptable skills and knowledge.

NHCS Employees are our primary resource in the implementation of these strategic goals. Salary and benefit costs for those employees total 85% of our \$269 million operating budget. I believe it is critically important to adequately fund teacher supplements and local salary schedules in order to recruit and retain qualified staff. With that said, the primary driver of this budget proposal are salary and benefit increases.

We are in year two of the State's 4-year phase-in of class size reduction, which will result in state funded reduction of class size by 1 in grades 1-3 to a formula of 1:18. Formulas for grades 4-5 will also be reduced by 1 to the current state formula of 1:24.

Other priorities addressed in these recommendations include covering cost increases and balancing the budget without further depletion of savings which were needed after Hurricane Florence. Our current fund balance is about 2.6% of the Operating Budget, while the Board's policy goal is 7%.

## **Estimated Revenues**

### ***Projected Operating Budget Revenue includes:***

- State revenue calculated using estimated student membership and current state allotment formulas
- Federal and Other Restricted Grants estimated based on current grant amounts
- Current County Operating Appropriations equate to \$2,857 per pupil. The recommended request for next year is estimated at \$2,900 per pupil, which would be an actual increase of 2.2% for NHCS and 3.4% overall including charter schools.
- Recommend continuing County Pre-K Grant at the current level (\$487,422) for another year, with an additional 3 classrooms requested for 2020-21, to be added the same year as elementary redistricting goes into effect. County approval of this one year in advance will allow our redistricting process to include space for these additional classrooms.
- Recommend current funding designated by the County for four Teacher Scholarships be treated as a grant and moved to Other Restricted Revenue. This will free up operating funds allotted per pupil to address other needs, and will allow savings from unused funds to roll over and be used for additional scholarship awards in the future.

### ***Projected Capital Outlay Revenue includes:***

Estimated Capital Outlay revenue totals \$7,372,600, and include:

- County Request of \$3,696,000 (same as current year)
- Lottery Revenue of \$2,200,000
- Insurance & FEMA Reimbursements of \$1,123,500
- Unbudgeted inter-local sales tax of \$353,100

The Capital Outlay Plan also includes recurring State Technology Fund revenue of \$310,000, for a total of \$7,682,600.

## **Proposed Expenditures**

### **Capital Outlay**

Recommended Capital Outlay expenditures total \$7,682,600:

- **Repairs and Renovations - \$4,100,900**
  - Include projects deferred from Hurricane Florence, Phase II Renovations for SEA-Tech, and various other repairs and upgrades
- **Technology - \$3,528,600**
  - Annual Replacement Costs for IPADs, Laptops, and Desktops total \$2,290,100
  - Other Technology Projects total \$1,238,500
- **Vehicles - \$53,100**
  - Replacement of two maintenance vehicles

### **Repurposed Budget Savings**

During the budget development process several areas of budget savings were identified to allow us to cover approximately \$1.5 million in cost increases and budget adjustments for next year. The savings resulted from improved efficiencies in transportation, reduced costs for insurance, elimination of church lease for Wrightsville Beach Elementary, overestimation of charter school share of county distribution, and savings from elimination of local priority designation due to new Federal Every Student Succeeds Act (ESSA) regulations.

## Salary and Benefit Increases

The estimated cost of state raises and benefit rate increases for locally paid employees is \$1,160,000, based on the approved House Budget Proposal. This includes a 4.8% average increase for teachers, a 6.3% average increase for assistant principals, and the higher of 1% or \$500 for non-certified and central office administrators. The retirement matching rate is estimated to increase by 4.2% to a rate of 19.66%, and the Health Insurance is estimated to increase 2.6%, to \$6,262. New salary schedules to be effective January 1, 2020. Additionally, we are recommending the following salary proposals we believe to be essential to recruitment and retention:

- 1) Add new Special Education Teacher Supplement of \$100 per month, to help recruit and retain Special Education Teachers. (\$300,000).
- 2) Revise the Non-Certified Pay Schedules as follows (\$500,000):
  - a. Reflect a minimum pay rate of \$13 per hour
  - b. Eliminate extra steps beyond 30
  - c. Adjust step increases to insure minimum state increase to higher of \$500 or 1%

**We hope to establish a goal of reaching a \$15 minimum wage over 3 years, equal to the minimum established by the State for non-LEA state employees and the County effective July 1, 2018.**

## Priority Expansion Requests

Expansion Requests to be covered by redirected budget savings include:

- 1) \$500,000 for Utilities to cover a 4% rate increase and increase costs at new facilities.
- 2) \$99,000 for 3 new custodians for the SEA-Tech Campus (CFCC provided custodians at North Campus)
- 3) \$100,000 for Phase 2 of 3 of Custodial Transition Plan to restore 10-month full-time and 12-month part-time custodial positions back to 12 month full-time positions. These reductions were made during and subsequent to the recession to help balance the budget, but the part-time positions are difficult to retain, and full-time 12-month positions are key to maintaining a clean and appropriate learning environment.
- 4) Offset prior year revenue shortfall of \$821,394, which was funded with one-time fund balance appropriation.

Delayed implementation of state salary schedules will fund one-time costs related to System-wide Equity and Access Staff Development and Curriculum Audit, Lateral Entry Residency Teacher Training and the Title IX reserve.

## County Request

The proposed County request will offset most of the proposed salary and benefit cost increases for locally paid staff, along with the new Special Education Teacher Supplement and the revised Non-Certified Pay Schedule.

County Request	2018-19 Actual	Requested Increase	2019-20 Request	% Increase
<b><i>Per Pupil Operating Request as \$2,900 per pupil</i></b>				
NHCS Per Pupil	\$73,768,253	\$1,631,747	\$75,400,000	<b>2.2%</b>
Charter School Appropriation	\$3,875,815	\$949,715	\$4,825,530	24.5%
UNCW (Virgo) Lab School	\$694,202	\$88,798	\$783,000	12.8%
<b>County Per Pupil Operating</b>	<b>\$78,338,270</b>	<b>\$2,670,260</b>	<b>\$81,008,530</b>	<b>3.4%</b>
<b><i>Total for NHCS</i></b>				
NHCS Per Pupil	\$73,768,253	\$1,631,747	\$75,400,000	<b>2.2%</b>
Capital Outlay Request	\$3,696,000	\$0	\$3,696,000	<b>0.0%</b>
County Scholarship Grant	\$0	\$112,000	\$112,000	<b>transfer</b>
County Pre-K Grant	\$487,422	\$0	\$487,422	<b>0.0%</b>
<b>Subtotal NHCS Request</b>	<b>\$77,951,675</b>	<b>\$1,743,747</b>	<b>\$79,695,422</b>	<b>2.2%</b>
<b>Subtotal Charter/Lab Schools</b>	<b>\$4,570,017</b>	<b>\$1,038,513</b>	<b>\$5,608,530</b>	<b>22.7%</b>
<b>Total</b>	<b>\$82,521,692</b>	<b>\$2,782,260</b>	<b>\$85,303,952</b>	<b>3.4%</b>

## Summary

The chart below compares the total Current Operating Budget to the Proposed Operating Budget for all funds, less non-recurring appropriations and grants. The proposed budget is 1% higher than the current budget, excluding hurricane appropriations.

<b>Fund</b>	<b>Current</b>	<b>Less Hurricane Appropriations</b>	<b>Less Other Non-Recurring Revenue</b>	<b>Proposed Changes</b>	<b>Proposed 2019-20</b>
State	\$160,514,055	(\$234,259)		\$8,218,110	<b>\$168,497,906</b>
Local Current Expense	\$94,732,626	(\$7,900,000)	(\$3,294,356)	\$2,670,260	<b>\$86,208,530</b>
Federal	\$16,534,731		(\$1,505,461)		<b>\$15,029,270</b>
Other Restricted	\$15,273,690	(\$4,000,000)	(\$3,550,402)		<b>\$7,723,288</b>
<b>Operating Budget Total</b>	<b>\$287,055,102</b>	<b>(\$12,134,259)</b>	<b>(\$8,350,219)</b>	<b>\$10,888,370</b>	<b>\$277,458,994</b>

It is my belief that this recommended budget provides for the best plan for use of our limited resources in providing “children with an opportunity for a superior education in a safe and positive learning environment” as per our system mission.

In addition to direct appropriations provided by New Hanover County, we are also extremely appreciative of all support provided by New Hanover County including:

- Bond Debt for Schools
- School Grounds Maintenance
- School Resource Officers funded by the Sheriff’s Department
- Mental Health and Nursing service costs supplemented by the Health Department

After the Board approves the proposed County Request, it will be forwarded to the County Manager and Commissioners.

Sincerely,

Tim Markley

*Attachments:*

- Position Summary
- Capital Outlay Summary