



Staff Budget Reduction Recommendation

**Board of Education Meeting
January 11, 2011**

Recommendation

- Staff's budget reduction recommendation is based on the most current data available.
- Factors such as the state's revenue projections, receiving less than flat funding from the county and Board decisions could affect this recommendation.
- As the situation changes, adjustments to this recommendation may be required. So while this may not be the final recommendation, it is our best thinking as of today, January 11, 2011.



Budget Outlook



National Perspective

- American Recovery and Reinvestment Act (ARRA) funding cliff finally arrived – \$37.9 billion in federal stimulus funds is almost gone
- 35 states project budget gaps for fiscal year 2011-12
- 21 states project gaps of more than 10%, including North Carolina

This data is from a Dec. 15, 2010, report from the Fiscal Research Division, a staff agency of the NC General Assembly.



State Budget Outlook

- The cumulative affect of the national economic downturn, expiration of federal stimulus dollars and revenue challenges has left the state with a projected **\$3.7 billion** shortfall.*
- As a result, the NC Office of State Budget and Management requested that all state agencies submit plans to reduce their budgets by 5, 10 and 15 percent.

*This data is from a Dec. 15, 2010, report from the Fiscal Research Division, a staff agency of the NC General Assembly.



State Budget Gap Estimate

Preliminary FY 2011-12 Budget Gap Estimate

- Revenue Availability Estimate \$18.2 billion
- Budget Estimate \$21.9 billion
- Preliminary Budget Gap Estimate -\$ 3.7 billion

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State Budget Gap Estimate

Preliminary FY 2011-12 Budget Gap Estimate

FY 2010-11 Revenue Availability	\$19.0 billion
Expiration of 1% Sales Tax	- 1.1 billion
Expiration of Corporate and Personal Income Surtaxes	- 0.2 billion
Other One-Time Revenue Adjustments	- 0.2 billion
Preliminary Estimate of Revenue Growth	+ 0.7 billion
Preliminary Availability Estimate for FY 2011-12	\$18.2 billion
FY 2010-11 Certified Budget	\$19.0 billion
State Funds Needed to Replace Federal ARRA Funds	+ 1.6 billion
Other One-time Budget Adjustments	+ 0.4 billion
Retirement System Contribution	+ 0.3 billion
State Health Plan	+ 0.2 billion
K-12 and Higher Education Enrollment	+ 0.2 billion
Medicaid	+ 0.2 billion
Preliminary Estimate of FY 2011-12 Budget	\$21.9 billion
Preliminary Estimate of Budget Gap	-\$ 3.7 billion

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State Budget Categories

NC is experiencing financial pressure in each of the major budget categories for FY 2010-11

Major Budget Categories	Net Gen. Fund Appropriations	% of total
Public Schools	7,085,588,912	37%
Higher Education*	3,722,071,167	20%
Medicaid	2,368,365,829	12%
Correction	1,285,252,983	7%
Mental Health	705,476,614	4%
Natural & Econ. Resources	467,727,028	2%
Courts**	566,019,508	3%
Capital and Debt	718,695,003	4%
Other	2,039,797,168	11%
TOTAL	\$18,958,994,212	100%

*Includes universities and community colleges

**Includes courts and indigent defense

This data is from a Dec. 15, 2010, report from the Fiscal Research Division, a staff agency of the NC General Assembly.



What This Means for CMS

<u>Reduction %</u>	<u>State Reduction</u>	<u>Federal Funding Cliff</u>	<u>County Growth/Sustaining Estimate*</u>	<u>Subtotal**</u>	<u>Reduction %</u>	<u>County Reduction</u>	<u>Total Reduction</u>
@5%	\$32M	\$15M	\$15M	\$62M	@5%	\$15M	\$77M
@10%	\$63M	\$15M	\$15M	\$93M	@10%	\$30M	\$123M
@15%	\$95M	\$15M	\$15M	\$125M	@15%	\$45M	\$170M

The 2010-11 budgeted per-pupil amount is \$8,523***. The per-pupil amount drops to \$7,263 under the worst-case scenario presented above. The \$7,263 per-pupil amount is between the 2001-02 and 2002-03 budgeted per-pupil amounts.

The estimates above do not include any additional amounts required to cover discretionary reductions from the prior year nor do they assume the non-recurring cuts will be reinstated.

*Estimate based on historical trend average which includes estimated increases for items such as benefits (health insurance and retirement) and costs due to enrollment growth (staffing and instructional materials)

**Assumes flat funding from county

***Adopted budget divided by projected enrollment



Budget Development Process & Timeline



Framework for Budget Development

- Make reductions that have the least impact on the classroom first and then other areas that impact the classroom
- Align resources to support *Strategic Plan 2014*
- Keep strong academic focus coupled with data-driven decision making
- Recognize and plan for the impact of the economic environment and employ sound fiscal management – respond to signals from state and local sources that funding may be limited
- Acknowledge uncertainty regarding expected funding levels from all sources, but be prepared for the worst
- Request funding from county for growth and sustaining operations
- Pay for *Strategic Plan 2014* initiatives through budget reductions or redirections
- Establish flexibility in the budget to allow for various reduction levels



Alignment to Strategic Plan 2014

- The Framework for Budget Development requires alignment of district resources to support *Strategic Plan 2014*.
- This budget reduction recommendation aligns with *Strategic Plan 2014*.

Areas of Focus

- Effective Teaching and Leadership
- Performance Management
- Increasing the Graduation Rate
- Teaching and Learning Through Technology
- Environmental Stewardship
- Parent and Community Connections



Process and Timeline

JUNE- NOVEMBER 2010

- Case for Continuous Improvement
- Board of Education budget work session
 - Establish BOE/superintendent's goals and priorities
- Budget Department convenes the budget development kickoff meeting
 - Share BOE/superintendent's goals and priorities
 - Outline the current year process
 - Set the budget-reduction target (10%) by department



Process and Timeline

DECEMBER 2010

- Principal budget input via survey
- Department heads compile budget recommendations to submit to their Executive Staff member
 - Identify reductions and new requests, if any
 - Align total resources with *Strategic Plan 2014* goals
 - Justify total budget recommendation based on effectiveness and impact
- Executive Staff members review departments' budget recommendations
 - Confirm reductions and new requests, if any
 - Confirm alignment with strategic plan and total budget recommendation
 - Submit approved recommendations to budget staff
- Employee professional organizations submit Budget considerations (i.e. classroom teachers, teacher assistants and office professionals)
- Budget staff compiles district budget data



Process and Timeline

JANUARY 2011

- Executive Staff reviews budget-reduction recommendations as a team to verify interdependencies
- Executive Staff members review budget reduction recommendations with COO/CFO/Budget staff
 - Validate reductions are sustainable
 - Validate reduction target is met or justify why not
 - Validate reductions are least detrimental to achieving *Strategic Plan 2014* goals
- COO/CFO/Budget staff review budget reduction recommendations with superintendent to discuss why cuts are proposed, plan of action and impact of the cuts.

Result: Cuts are not equal across all areas, but best proposal is created with least detriment to achieving strategic plan goals



Process and Timeline

JANUARY 2011 (con't.)

- Superintendent presents Executive Staff's approved budget reduction recommendations to Board of Education – much earlier this year due to critical decisions needed for staff and families
- Budget staff computes estimated cost for salary/benefit increases, sustaining operations, growth and new initiatives
- Board of Education makes early budget decisions



Process and Timeline

FEBRUARY– APRIL 2011

- Operationalize early budget decisions
- Budget staff verifies state budget estimates with Planning Department
- Budget staff confirms sustaining operations, growth and new initiatives cost estimates based on state planning allotment
- Superintendent and Executive Staff finalize budget recommendation, making adjustments as needed based on updated information from state, etc.
- Superintendent presents final budget recommendation to Board of Education

Note: Budget work sessions are held with the Board throughout the process as needed



Key Dates



Key Dates for Families

- **Week of Jan. 3** – All students received pre-lottery assignment information in the mail
- **Jan. 7** – Magnet lottery application opens
- **Jan. 8** – Magnet Fair at Phillip O. Berry
- **Jan. 11** – Staff budget reduction recommendation presented to Board of Education
- **Jan. 25** – Board of Education budget work session*
- Mini-magnet fairs throughout the county
 - **Jan. 25** at Cornelius Town Hall
 - **Jan. 27** at First Ward Elementary
 - **Feb. 1** at South Mecklenburg

*Board meeting date



Key Dates for Families (cont)

- **Feb. 7** – Magnet lottery application closes at 10 p.m.
- **End of February** – All families notified of 2011-12 school assignments
- **Feb. 21 - March 21** – Reassignment/transfer period for assignments for the 2011-12 school year
- **Feb. 15** – Board of Education budget work session
- **March 15** – Board of Education budget work session
- **March 22** – Board of Education budget work session*

*Board meeting date



Key Dates for Staff

- **Jan. 24** – Employee Transfer Fair begins
- **Jan. 31** – Enrollment projections given to schools
- **Feb. 14** – Enrollment projections to HR
- **Feb. 23** – Staff allocations to schools
- **March 8** – Request Board approval for Reduction in Force criteria
- **April/May** – Begin notifying at-will employees affected by RIF
- **April 12** – Superintendent’s budget recommendation
- **April 26** – Public hearing on superintendent’s budget
- **April 27** – Board work session
- **May 1** – Deadline for notifying administrators of superintendent’s intent to non-renew contracts



Key Dates for Staff (cont)

- **May 10** – Board of Education's 2011-12 proposed budget approved
- **May 15** – Deadline for notifying teachers of superintendent's intent to non-renew/dismiss
- **June 1** – Deadline for notifying administrators of non-renewal
- **June 15** – Deadline for notifying teachers of non-renewal/dismissal



Employee Budget Information & Meetings

Four general information meetings have been scheduled to keep employees informed about the budget process. They are:

- Jan. 13 at North Mecklenburg High, 6 p.m.
- Jan. 20 at South Mecklenburg High, 6 p.m.
- Jan. 24 at Independence High, 6 p.m.
- Jan. 27 at Northwest School of the Arts, 6 p.m.
- Additional employee meetings by zone
- Employees may submit budget suggestions and ideas to budgetquestions@cms.k12.nc.us



Public Engagement

- Board member constituent engagement
- All budget meetings and work sessions will be televised live on CMS TV
- Video of the meetings will also be posted on the 2011-12 Budget Information section on the CMS Web site
- Citizens are encouraged to send budget suggestions to budgetquestions@cms.k12.nc.us
- For more information, visit www.cms.k12.nc.us
- Budget information sharing
- Community meetings



Summary of Reductions since 2007-08

	2010-11 Budget Reductions	% of Division Budget (State & Local)	2009-10 Budget Reductions	% of Division Budget (State & Local)	2008-09 Budget Reductions	% of Division Budget (State & Local)	2007-08 Budget Reductions	% of Division Budget (State & Local)
Operations Division	(25,342,503)	12.9%	(23,163,051)	10.1%	(7,347,516)	3.3%	(4,202,863)	2.1%
Academic Services Division	(8,953,377)	5.3%	(27,889,959)	14.0%	(4,846,412)	2.6%	(7,829,831)	4.6%
Schools Division	(44,764,334)	7.6%	(55,626,298)	8.7%	(7,054,883)	1.1%	(8,318,787)	1.5%
Total	(79,060,214)	8.3%	(106,679,308)	10.0%	(19,248,811)	1.8%	(20,351,481)	2.2%
Less:								
Funding added back	<u>20,313,480</u>		<u>19,776,737</u>		<u>-</u>		<u>-</u>	
Net Budget Impact	(58,746,734)	6.2%	(86,902,571)	8.1%	(19,248,811)	1.8%	(20,351,481)	2.2%

Note: Reductions are reflected by area in which the expenditure is budgeted; many expenditures are budgeted centrally and then expended at the school level.

2011-12 Recommended Budget Reductions

As of Jan. 11, 2011

Central Support & Operations Division

Department	Reduction Amount
Communications/Strategic Partnerships	\$ 157,830
Human Resources	1,615,083
Technology Services	1,860,958
Finance	632,321
Legal	258,000
Athletic Department	399,500
Alternative Ed. & Safe Schools	1,146,108
School Law Enforcement	1,157,850
Office of Accountability	626,712
Auxiliary Services	115,649
Building Services	8,092,950
Storage and Distribution	286,357
Transportation	4,000,000
Inventory Management/Textbooks	390,420
All Other Central Support & Operations	355,949
Subtotal – Central Support & Operations	\$ 21,095,687
2010-11 Division Budget (State & Local)	\$ 184,834,895
Reductions as a % of Division Budget	11.4%
Total positions reduced	206



2011-12 Recommended Budget Reductions

As of Jan. 11, 2011

Academic Services Division

Department	Reduction Amount
Prof. Development & Leadership Academy	\$ 117,287
Career and Technical Education	3,233,917
ESL Student Education	113,589
Extended Year Programs	1,052,532
Arts Education	149,580
Bright Beginnings PreK Program	2,113,105
Talent Development	749,989
Literacy & Writing (PreK-12)	109,539
Media Services	165,142
Support Services	148,255
All Other Academic Services Division	270,160
Academic Services Reorganization	518,391
Subtotal – Academic Services	\$ 8,741,486
2010-11 Division Budget (State & Local)	\$ 165,355,679
Reductions as a % of Division Budget	5.3%
Total positions reduced	102



2011-12 Recommended Budget Reductions

As of Jan. 11, 2011

Schools Division

Description	Reduction Amount
School closures (School division reductions only)*	\$ 2,573,067
Midwood relocation (School division reductions only)**	238,500
Eliminate DSSF High School plans; no longer required	1,229,914
Eliminate one support position at each school	11,152,000
Eliminate TA's in 1st & 2nd grade; maintain a 1:22 ratio in k	9,295,201
Change weight from 1.3 to 1.25	7,937,758
Increase class size by 2 students for grades 4-12	15,105,435
Eliminate 107 teacher-level positions intended to be one time	6,338,359
Eliminate 10 positions allocated from the Achievement Zone	689,290
Eliminate 2 media specialists	138,038
Eliminate Incentive, Critical Needs & Local Signing bonuses	4,293,933
Average Salary Adjustment	2,176,485
Eliminate prior year extended employment	79,713
Reduce funds for equitable supplies and materials	125,000
Subtotal – Schools Division	\$61,372,693
2010-11 Division Budget (State & Local)	\$ 586,790,478
%of Division Budget	10.5%
Total positions reduced	1,045

•School closure reduction total is \$5,237,746; the remaining \$2,664,679 is embedded in departmental reductions on previous slides.

** Midwood relocation reduction total is \$969,617; the remaining balance is \$731,117 of which \$267,066 is embedded in departmental reductions in previous slides and \$464,051 in ARRA funding is reflected on the next slide.

2011-12 Recommended Budget Reductions

As of Jan. 11, 2011

Department	Reduction Amount	% of Division Budget (State & Local)	Positions Reduced
Central Support & Operations Division	\$ 21,095,687	11.4%	206
Academic Services Division	8,741,486	5.3%	102
Schools Division	61,372,693	10.5%	1,045
Total Recommended Reductions to State and Local Budget	\$ 91,209,866	9.7%	1,353
ARRA Funding Cliff Reduced			
Bright Beginnings Reduction*	\$ 8,448,581		154
Midwood Relocation**	464,051		9
Total Recommended Reductions	\$ 100,122,498		1,516

*Bright Beginnings reduction total is \$10,417,921; the remaining \$1,969,340, a local reduction, is embedded in departmental reductions on previous slides.

**Midwood relocation reduction total is \$969,617; the remaining \$505,566 is embedded in departmental and school reductions on previous slides.



Early Decisions



Decision Needed by January 25

Weighted Student Staffing

What?

- Change Weighted Student Staffing formula from 1.3 to 1.25 in all grade levels

Who's impacted?

- Teachers and students

Why an early decision?

- Transfer Fair for teachers is scheduled for the end of January
- Principals need time to build schedules and make school-staffing decisions. This provides principals with accurate projections for positions so they know how many vacancies they have.



Decision Needed by January 25

Bell Schedules

What?

- Change bell schedules to provide the most efficient bus transportation and/or extending length of instructional day for elementary schools only

Who's impacted?

- Families and staff

Why an early decision?

- Need to notify families early of changes so they can make time-sensitive decisions
- Transportation needs time to design routing schedules



Decision Needed by January 25

Bright Beginnings

What?

- Reducing number of Bright Beginnings classes from 175 to 70
- Closing pre-k centers and non-Title I pre-k sites
- Offering pre-k classes at select Title I schools

Who's impacted?

- Families, staff and community providers

Why an early decision?

- Addresses a significant amount of the pending ARRA funding cliff
- Families need to know our plan so they can prepare
- Encourage partners to offer programs
- Allow opportunities for private pre-k providers to expand
- Staffing timeline



Potential Future Recommendation

Magnet Transportation

What?

- Eliminate transportation for all students in partial and full magnet programs

Who's impacted?

- Families of more than 12,000 full and partial magnet students currently assigned; staff – bus drivers and teachers

Why an early decision?

- So families know and give them as many possible options about where kids go to school



Closing Comments & Discussion

