

August 23, 2013

Mecklenburg County Board of Commissioners
Charlotte-Mecklenburg Government Center
Charlotte, NC 28202

Dear Commissioners:

The Charlotte-Mecklenburg Board of Education adopted its final budget for 2013-2014 at its Aug. 13 meeting. In this letter, I will share with you the final numbers that are in the adopted budget now, including detailed information about how we used our state money, as well as the county funding adjustments made since the budget request was presented last spring.

First, the state money: Our state funding increased by \$18.7 million over the previous year, a 2.7 percent increase.

- We have applied \$3.3 million to retirement and health benefit cost increases for state-paid employees.
- We applied another \$11.8 million to enrollment growth and additional instructional space cost increases based on state formulas.
- We applied \$6.6 million in net state adjustments in various categories such as exceptional children, career and technical education, instructional technology and at-risk funding.
- We applied \$5.1 million in state revisions to last year's adopted budget.
- Finally, we applied \$1.4 million to new initiatives for AP/IB and CTE testing fees.

We would also like to remind you that these increases were offset by the required cuts set by the legislature of \$12.3 million in teacher-assistant funding and more than \$1 million in Limited English Proficiency funding. In addition, the state identified specific reductions to replace the district discretionary cuts from prior years. This swap in reductions means less district flexibility in determining which areas are reduced. While the net effect was an increase of about \$4 million, most of these additional funds are in the Career and Technical Education funding category which has limited flexibility and is not aligned with our current-year plans.

We were able through careful planning and attrition to offset some negative effects of these cuts. No teacher assistants will lose their jobs and schools will be able to operate under the staffing models they have planned with minimal disruption. However, teacher assistants play a key role in our elementary schools and we will have 220 fewer teacher assistants in schools to support early literacy efforts. Those who remain must take a pay cut since they will be working fewer hours and days during the school year -- a strategy employed to save teacher-assistant positions.

Next, the county money: As you know, Charlotte-Mecklenburg Schools requested an increase of

\$28.5 million from Mecklenburg County to cover the costs of growth, sustaining operations and new initiatives. We received \$19.1 million, a 5.7 percent increase, from the county. Here are the adjustments and redirections we used to adjust our budget proposal presented in May to conform to our county appropriation:

- We eliminated the proposed 1 percent salary increase, a decrease of \$2.2 million.
- We adjusted the health insurance rate increase to the state-approved rate of \$5,285 rather than the originally proposed rate of \$5,503, a decrease of \$600,000.
- We adjusted the retirement rate increase to the state-approved rate of 14.69 percent rather than the originally proposed rate of 14.59 percent, an increase of \$200,000.
- We restored a planned cut in instructional supplies and increased funding allocated to instructional supplies to offset a state cut, an increase of \$1.6 million.
- We increased funding allocated to Limited English Proficiency since the state cut was higher than projected, an increase of \$500,000.
- We redirected the Response to Instruction cost to state funding, a decrease of \$1.2 million.

Several adjustments were required to the new initiatives we proposed, including:

- We reduced the local request for mobile technology labs for student use, opting to use federal and state funding sources to address an initial phase for this project, a decrease of \$2 million.
- We reduced the request for mobile unit-classroom wireless access by about half. This work will be done in phases, a decrease of \$2.8 million.
- We reduced the funding requested for professional-development facilitators by half -- we will now have them only in middle and K-8 schools -- and lowered the amount allocated for Common Core training for a total decrease of \$1.1 million.
- We reduced the request for K-3 extended learning literacy program by half, a decrease of \$600,000. The approved state budget provides some funding for literacy support.
- We redirected the increase for AP/IB and CTE testing to state funding, a decrease of \$1.2 million.

In addition to receiving state and local help, CMS proactively made budget adjustments to help cover our increasing operating costs. The 2013-2014 budget includes \$23.8 million in reductions and redirections from state, county and federal sources. These reductions, along with additional funding from these sources, help pay for the increased costs.

Some broader context is also important. State, local and federal money increased; other special revenue funding decreased. As a result, the 2013-2014 CMS budget in total increased by \$40.2 million, or 3.3 percent, over the 2012-2013 budget. About half of this increased funding will cover enrollment growth and new space costs. Another \$12.8 million will cover increases in costs such as utilities, fuel, security, technology, insurance and other costs to maintain existing services. State-mandated increases in benefit costs take another \$4.8 million. We anticipate an enrollment increase of about 2,665 students, or 1.9 percent, for the coming year and 1,653 additional charter school students. The 2013-2014 budgeted allocation per pupil is \$8,640, or \$122 more than a year ago; however, budgeted per-pupil spending still remains significantly below the level of 2008-2009, when it was \$8,912.

Our enrollment continues to grow steadily each year but our funding has not kept pace with enrollment growth. The district's 2013-2014 budget of \$715.6 million from the state is \$3 million less than the allocation in 2008-2009, when it was \$718.6 million, a decrease of 0.4 percent. On a per-pupil basis, state funding decreased from \$5,360 in 2008-2009 to \$4,975 in 2013-2014, a decrease of 7.2 percent. At the county level, the \$356.5 million for 2013-2014 is \$5.2 million, or 1.4 percent, more than the county funding received in 2008-2009 of \$351.4 million. But we have more students, so per-pupil funding has gone down from \$2,621 in 2008-2009 to \$2,479 in 2013-2014, a 5.4 percent decline. During the five years between 2008-2009 and 2013-2014, CMS experienced steady enrollment growth, adding about 9,776 students – a 7.3 percent increase.

Another comparison for context: Our health and retirement costs have increased by about \$61 million since 2008-2009, while our budget today is only \$48 million more than it was in 2008-2009.

We appreciate the opportunity to share our adopted budget information with you. Your support is important to us. So is the collaborative process that results in each year's budget. Although we have just finished the 2013-2014 budget, we are already beginning to plan for the 2014-2015 school year and operating budget – and we have identified employee compensation as a key area of focus. Our teachers, principals and school staff deserve to have their work fully valued and compensated, and we are committed to making that happen. We are very concerned by national rankings that place teacher salaries in North Carolina 48th out of 50 states and we plan to make employee compensation an area of focus in our budget next year.

We believe education is one of the most important investments we can make in the future of our community. We want Charlotte-Mecklenburg Schools to be a leader and innovator in educating every child, every day, for a better tomorrow. We look forward to working with you to realize this goal. Thank you for your support during the 2013-2014 budget process.

Warm regards



Heath E. Morrison
Superintendent