

# **BUDGET MESSAGE**

**FY 23**

**TRANSYLVANIA COUNTY  
SCHOOLS**

## Budget Considerations

- An approved budget request by the Board of Education must be provided to the county commissioners by May 15.
- As is common, and present in school systems across North Carolina, TCS has locally paid staff necessary to effectively operate the system and to meet the requirements of the NC Standard Course of Study.
- This includes such positions and expenditures as teaching positions, athletics, extra and co curricular opportunities, ROTC, and local benefits.

## Budget Considerations

- As in all past budgets, there are necessary increases due to many factors beyond our control. These include state salary adjustments, employee insurance costs, and other state benefits.
- Health/Hospitalization and Retirement rates are set by the NC General Assembly. These continue to increase.
- Salary schedules for teachers and many other positions are set by the NC General Assembly.
- Transylvania County Schools provides a local supplement for positions in recognition of competition with other systems, lower pay in NC as compared to other states, cost of living in our region, and for recruitment and retention of quality personnel.

## Budget Considerations

Each year, Chief Financial Officers, working with their superintendents, utilize information from the NC Department of Public Instruction to determine estimated costs of salaries and benefits.

State and Federal resources, while critical and valuable, are never adequate to meet all needs. We must match the state-mandated increases for employees supported by local funds.

North Carolina is one of only a few states where the elected Board of Education does not have local taxing authority. This creates potential friction by its very design.

The possibility of a State budget being approved after June 30 further exacerbates this issue. This happens increasingly.

## Budget Considerations

As referenced by leadership at the NC School of Government during a joint workshop of the Board of Education and the county commissioners, school finance officers must be financial “wizards” with school budgets.

Our budgets are very complex, and controlled by more regulations, laws, and individual funding codes.

This includes differences in how fund balances are maintained and governed. As noted in our most recent financial audit and presentation, one factor often overlooked is the vital necessity of maintaining a fund balance to address unexpected challenges

## Budget Considerations

School systems in NC can sometimes be viewed critically in maintaining an appropriate fund balance to meet unexpected challenges and to maintain appropriate cash flow for expenditures.

As noted by financial experts, having at least one month's operating expenses in a fund balance should be a minimum goal. Our current fund balance is not yet to that level.

For comparison, county governments are required to maintain a certain percentage in their fund balance and are allowed to maintain higher fund balance reserves.

## Budget Considerations

We must also consider our work in preparing students as American citizens and future workers in the American economy.

A strong plan to upgrade and repair an aging infrastructure to meet modern needs is vital to success. That continues the strong legacy of Transylvania County Schools being the center of that success in our communities.

Our children are the most important people in our county. Despite the financial and economic downfall that has occurred over the last 25 years, Transylvania County Schools remains an ongoing success story.

# Budget Considerations

## Local Current Expense

An increase in the Local Current Expense (LCE-operating budget) is needed. We enter year two of a state-approved biennial budget. This offers us more stable predictive information. It does not prevent additional effects from new legislation, but it does allow us to plan for increases. Here are some knowns:

- Retirement rate = 24.19%
- Health/Hospitalization = \$7,397.00
- State Salary Increase = 2.5% for Non-certified staff / 1.3% for certified

Note: Legislation increased the hourly pay to a minimum of \$15 per hour for employees.



## Budget Considerations

In order to match state increases for locally paid positions, an increase in county appropriation should be requested.

Precise numbers are unpredictable as new hires come with varying levels of experience. When applied to state salary scales, the result can be dramatic, such as a state-paid teacher switching funding stream designation with a new hire.

Examples include a state-paid teacher becoming a locally paid teacher and a hire becomes state paid due to a higher required salary, thus saving local monies.

## Budget Considerations

The amount required to match is dependent on where the new hire falls on a pay scale. This cannot be predicted until a hire has been offered.

Local supplements are based on a percentage of the total salary. When there is any change in salary status, it affects the supplement rate. When a new hire comes on board, there is a subsequent change in individual supplement amounts based on that percentage.

Supplements are a local decision and appropriation. However, interestingly, these have been used these to calculate average pay in NC. These recurring supplements themselves do not come from state monies. They come from local monies.

## Budget Considerations

### Recommendation:

- Request increase in the amount of appropriation to Local Current expense (LCE):
  - **\$554,660.00** if the request includes restoration of local supplies and materials, and increase in local supplement of veteran teachers to 10%. (Increase of 4.26%)
  - **\$455,424.00** if restoration of local supplies and materials is not included. (an increase of 3.49%)
  - **\$358,143.00** if restoration of local supplies and materials and increase in local supplement of veteran teachers to 10% is not included. (an increase of 2.51%)

## Budget Considerations Capital

In 2015, the Board of Education proactively secured services for a review of our school facilities. During the process over \$93 million dollars of need was identified to address an aging infrastructure across our system.

This was a lowered number from identified work totaling about \$118 million in needs. By compressing the time frame for construction, it was felt that the work (at the time) could be done for \$93 million

Components have been further updated through the planning portion of the school bond construction.

## Budget Considerations Capital

The Bond was passed overwhelmingly by the public almost 4 years ago with planned improvements specifically targeting Brevard High School, Rosman High School, and Rosman Middle School. The Bond amount was \$68 million.

The remaining list of identified needs for six other schools totaled \$25 million at the time.

The COVID-19 Pandemic disrupted normal manufacturing and supply chain activity worldwide. Commodities cost much more and are more difficult to obtain. In addition, labor costs are also rising.

## Budget Considerations Capital

These cost increases are likely to continue over time.

Increases in construction costs have always occurred. The longer items are delayed, the greater the increase in cost.

Due to the pandemic, there has been a significant price escalation since the 2015 study. Time and delays have a multiplier effect.

The current industry recommendation of a predictive multiplier within the current climate is an escalation of about 40% over the 2015 number. This includes an added 8% per year (for at minimum the next five years) if work is further delayed

## Budget Considerations Capital

This results in the original \$25 million amount identified under different market conditions is now likely closer to \$35 million.

Longer delays in addressing infrastructure needs results in continued deterioration.

Costs are not predicted to lower substantially. Investing in infrastructure saves citizens in the long run as well as provides a modern, up-to-date (and up to code) learning environment for our county for many, many years to come.

## Budget Considerations Capital

There are other critical elements of capital funding that are necessary to operate our system. In addition to facility infrastructure (interior and exterior), capital includes:

- Furniture and equipment repair, replacement, and acquisition.
- Safety and Security of facilities. This also includes camera systems.
- Technology. Failure to properly invest in technology and technology equipment each year severely inhibits student learning opportunities, system operation, and system security.
  - As with construction and labor costs, this continues to increase. Technology is experiencing faster obsolescence and increasing upgrade requirements through the emergence of better-faster-efficient-powerful technology.



## Budget Considerations Capital

- Repair/replacement of mechanical systems, painting, flooring, and systems to extend the life of materials/buildings. (including buildings and grounds).
- Vehicles, including local vehicles such as activity buses and local system vehicles.
- An increase in capital appropriation is needed.

## Budget Considerations Capital

- *(Excluding School Bond Construction expenditures)*
- Identified priorities, including recurring costs that must be addressed every year (such as gym floors, repairs, etc.) from Capital Outlay Status.
  - Increase to \$ **\$2.973,341** (Placeholder - Additional discussion and direction)
- Minimum necessary to address the older gymnasium and cafeteria at Brevard High School if the bonds for school construction are not issued.
- Identified capital improvements needed for non-school bond construction identified schools (6)

## Budget Considerations Capital

- Direction needed from Board of Education regarding the aforementioned specifics:
  - Minimum necessary to address the older gymnasium and cafeteria at Brevard High School if the bonds for school construction are not issued. \$ ? Clarification once escalations are identified
  - Identified capital improvements needed for non-school bond construction identified schools (6) \$ ? Clarification once escalations are identified

