



February 12, 2019

MEMORANDUM

To: Members of the Board of Education

From: Michael J. Martirano, Ed. D.  
Superintendent

Subject: FY 2020 Operating Budget Scenarios for Consideration

The purpose of this memorandum is to respond to the Board's request for two budget scenarios for FY 2020, in addition to the 7.6% increase scenario presented to the Board on February 7, 2019.

As noted in the February 7, 2019, Board Memo, a 7.6% increase above FY 2020 MOE funding provides for the \$45.6 M needed above Maintenance of Effort (MOE) to meet our commitments and obligations for staff salary increases, enrollment growth, and other non-discretionary items. It does not advance any HCPSS priorities or even begin to address the needs articulated in my proposed budget.

The following two scenarios, the Maintenance of Effort scenario and the 9.2% increase scenario, have been examined at the request of the Board:

**1. Maintenance of Effort (MOE) Scenario**

The MOE scenario assumes a \$10.8 M increase in county funding and will require the Board to make certain decisions to support our obligations and commitments. The Board will need to factor in the one-time funding of \$11.1 M received in FY 2019, which means the county funding will actually decrease by approximately \$300,000 in FY 2020 if funded at MOE level only. This scenario will not address any of the priorities noted by the Board members or those included in my originally proposed budget.

As many of you have articulated, MOE alone cannot support our growth or address our needs. In order to operate at a MOE level, meet the Board's commitments and make-up the \$11.1 M in one-time funding from County Government, this scenario will require:

- Reduction of \$11.1 M through programmatic reductions, staff cuts, and class size increases (Increase by 1 across all levels nets \$6.65 M)
- Utilization of the \$10 M fund balance to offset recurring obligations
- Increase of \$10.5 M in the Health Fund deficit by underfunding health care costs, undoing the FY2019 effort to fix this structural issue
- Elimination of all new positions and transportation costs for enrollment growth, leading to staffing only supporting FY2018 enrollment levels (class size increase)

It is important to note that this scenario will create significant structural problems for HCPSS in future years.

## **2. 9.2% Increase Above FY 2020 MOE Funding**

The 9.2% scenario represents a \$55.3 M increase in county funding above MOE. This scenario will address many of the Board's obligations and commitments and will begin to address some of the needs articulated in my originally proposed budget. This scenario addresses many of the individual Board member priorities and scales the needs identified in my proposed budget.

This scenario supports:

- Positions to accelerate the implementation of restorative practices and equity work and to support international, minority, and non-English speaking students and families
- Funding to support optimization of transportation
- A sixth of the needs identified in my proposed budget for:
  - Student wellbeing programs and positions
  - Materials of Instruction
  - Critical positions needed in Operations
- A tenth of the needs identified in my proposed budget to:
  - Address deficit in special education staffing and supports
  - Catch up on deferred maintenance project

The attached appendix provides additional details for these two scenarios.

cc: Executive Staff  
Board of Education Office

**HCPSS**  
**Summary of Obligated Expenses & Commitments**  
**Attachment A**

	FY 2019	FY 2020			
	Approved Budget	MOE Funding	7.6% Over MOE Commitments/Obligations	Superintendent's Proposed Needs	9.2% Over MOE
County Request Above MOE			45,647,804	85,908,068	55,257,869
County MOE	581,857,535	10,833,956	10,833,956	10,833,956	10,833,956
County Community Services	7,128,926	808,589	808,589	808,589	808,589
County One-time	11,067,420	-	-	-	-
Subtotal County	600,053,881				
State	249,760,671	15,951,151	15,951,151	15,951,151	15,951,151
Other Revenues (incl. Fund Balance in FY19)	12,571,454	-4,873,572	-4,873,572	-4,873,572	-4,873,572
<i>Other Revenues (Fund Balance FY20) - to be used as one-time funding</i>		10,000,000	10,000,000	10,000,000	10,000,000
<b>Subtotal</b>	<b>862,386,006</b>	<b>32,720,124</b>	<b>32,720,124</b>	<b>32,720,124</b>	<b>32,720,124</b>
FY19 County one-time		-11,100,000	-11,100,000		-11,100,000
Subtotal New money		21,620,124	21,620,124		21,620,124
<b>Total Revenue</b>		<b>21,620,124</b>	<b>67,267,928</b>	<b>85,908,068</b>	<b>76,877,993</b>
FY19 Agreement Pay Increase		6,800,000	6,800,000		6,800,000
FY20 Agreement		26,000,000	26,000,000		26,000,000
Health cost (Incl. Early Retirement Program)			6,700,000		6,700,000
Enrollment growth			11,500,000		11,500,000
Safe & Nurturing Schools Staffing					1,936,638
Academics Formula True-up Staffing					487,656
Academics Staffing					90,426
SMIL Staffing			97,000		1,227,210
Diversity Staffing					251,901
Business & Technology Staffing			310,000		406,917
Operation Staffing			85,000		742,788
Communications Staffing					137,792
Human Resources Staffing			38,000		35,522
Non Public Placement			3,800,000		3,800,000
Academics Non Labor			1,272,340		2,297,340
Business & Technology Non Labor			35,000		235,000
Communications Non Labor			7,000		7,000
Diversity Non Labor					26,000
Human Resources Non Labor			38,000		95,000
Operations Non Labor			585,588		3,617,303
School Management Non Labor					483,500
Expenses - Fund Balance Usage					
<i>Operations</i>			7,500,000		7,500,000
<i>Business &amp; Technology</i>			2,000,000		2,000,000
<i>Academics</i>			500,000		500,000
<b>TOTAL Obligated Expenses</b>		<b>32,800,000</b>	<b>67,267,928</b>	<b>85,908,068</b>	<b>76,877,993</b>
<b>Net Surplus (Deficit)</b>		<b>-11,179,876</b>	<b>0</b>		<b>0</b>
Percentage of County Funding over MOE			7.60%		9.20%