



**Fiscal Year 2015  
Budget Outlook  
December 2, 2013**

A COMMUNITY OF LEARNERS IN A GREAT COMMUNITY

## **Recap of FY10, 11, 12 and 13 Budgets**

- **State revenue down \$9.2m (14.2%) or \$11.7m (18%) if including effect of VRS increased costs**
- **Total operating budget reduced \$4m (3.2%) or \$6.5m (5.2%) if including effect of VRS increased costs**
- **Cut 124 permanent positions (not temporary positions) by attrition and layoffs**
- **Provided no raises, no step increases and no position re-grades**

## **Recap of FY14 Budget**

- **State revenue increased \$0.3m or 0.6%**
- **County operating contribution increased \$1.2m or 2.4%**
- **Total operating budget increased by \$1.2m or 1%**
- **Health insurance rates increased 17.2% or \$1.9m**
- **Provided 2.0% or \$1.9m in raises (4.2% if VRS shift to employees is included) and no step increases**
- **Cut 19 permanent positions (not temporary positions) by attrition and other reductions**

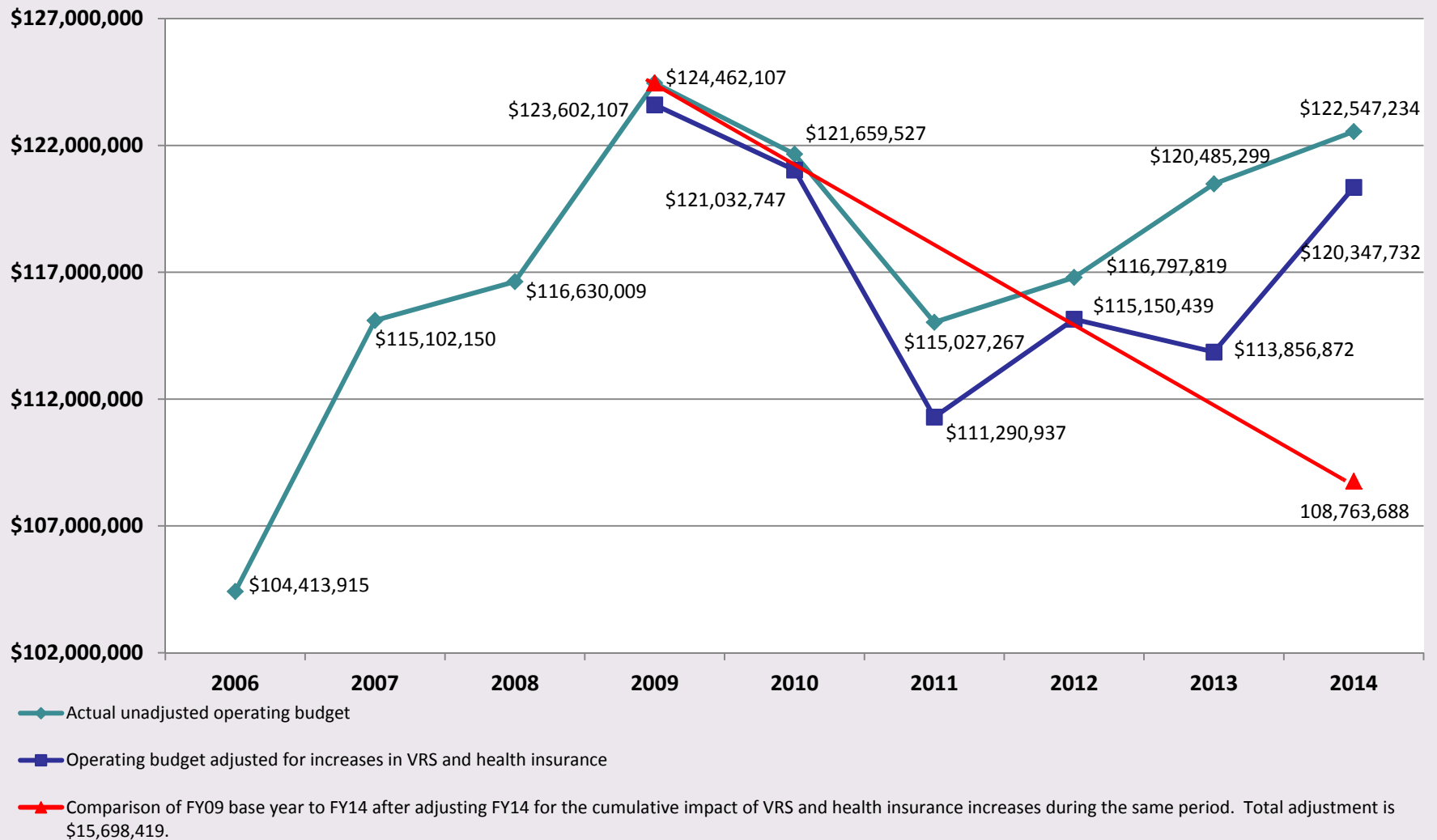
# Operating Budget Comparisons

(Does Not Include Federal Stimulus Allocations)



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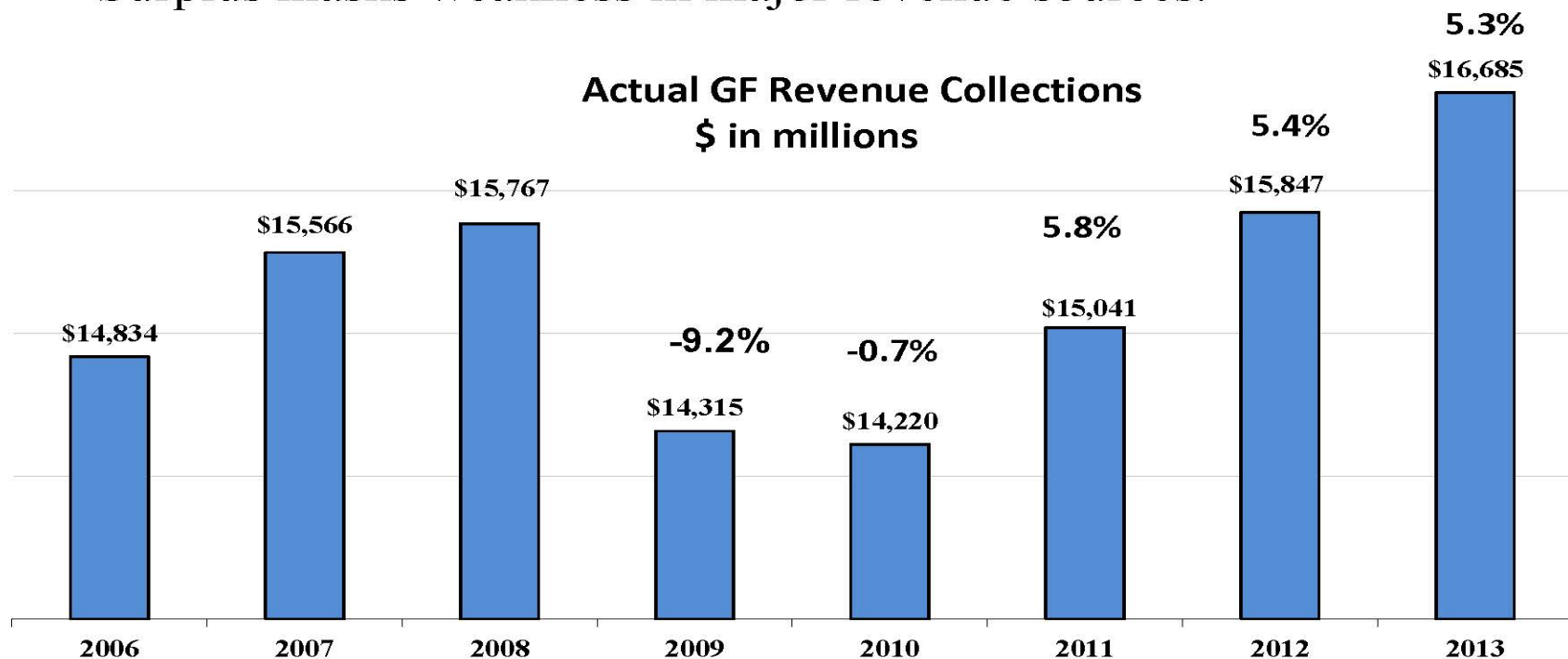


## YCSD State Operating Fund Revenue



## Looking Back: FY 2013 Revenue Performance

- Revenues grew 5.3%, ahead of the forecast of 3.6%. Collections exceeded the forecast by \$263.6 million, or 1.6%.
- Surplus masks weakness in major revenue sources.



## Public Education in Virginia - A Snapshot

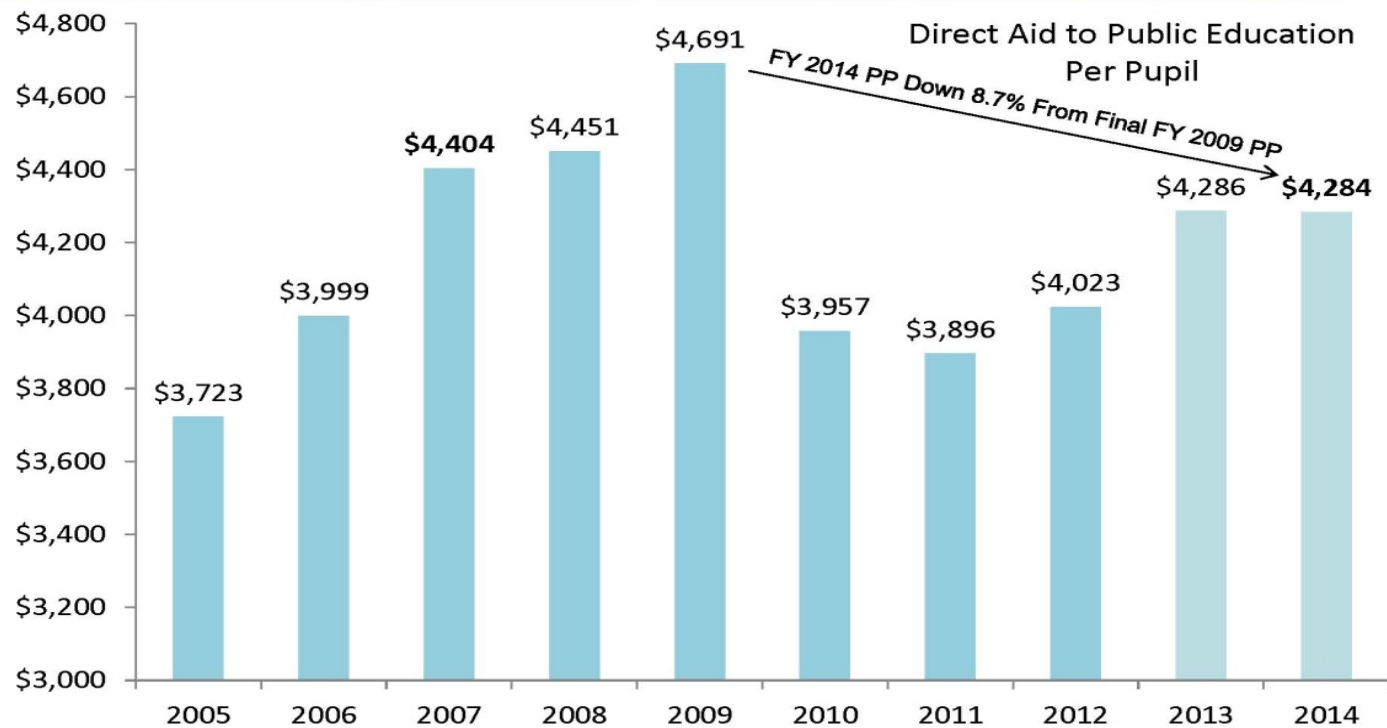
- Public education is a shared responsibility of the state and localities. The General Assembly must ensure a high quality program and determine the cost and shares.
  - 1.2 million students in 1,827 schools in 132 school divisions.
  - The Standards of Quality (SOQ) framework estimates costs, with a state share of 55%, on average.
  - State aid equaled \$4,355 per pupil, on average for FY 2012.
  - Locals spent 85% more than their required minimum, on average.
  - *Slide 15 shows other key data.*
- State Aid to Public Education for FY 2014 totals \$5.3 billion GF plus \$462 million from Lottery Proceeds.
  - Down 6% from FY 2009, but up 36% since FY 2004.
- Local budget challenges in FY 2015 include the VRS contribution rate increase, Composite Index shifts, and federal cuts.
  - Several school divisions declined match to FY 2014 salary incentive.
- Possible 2014 Session issues include SOL tests, virtual learning, teachers, early childhood, dropouts and low performing schools.





## Per Pupil State GF for Public Education in Virginia

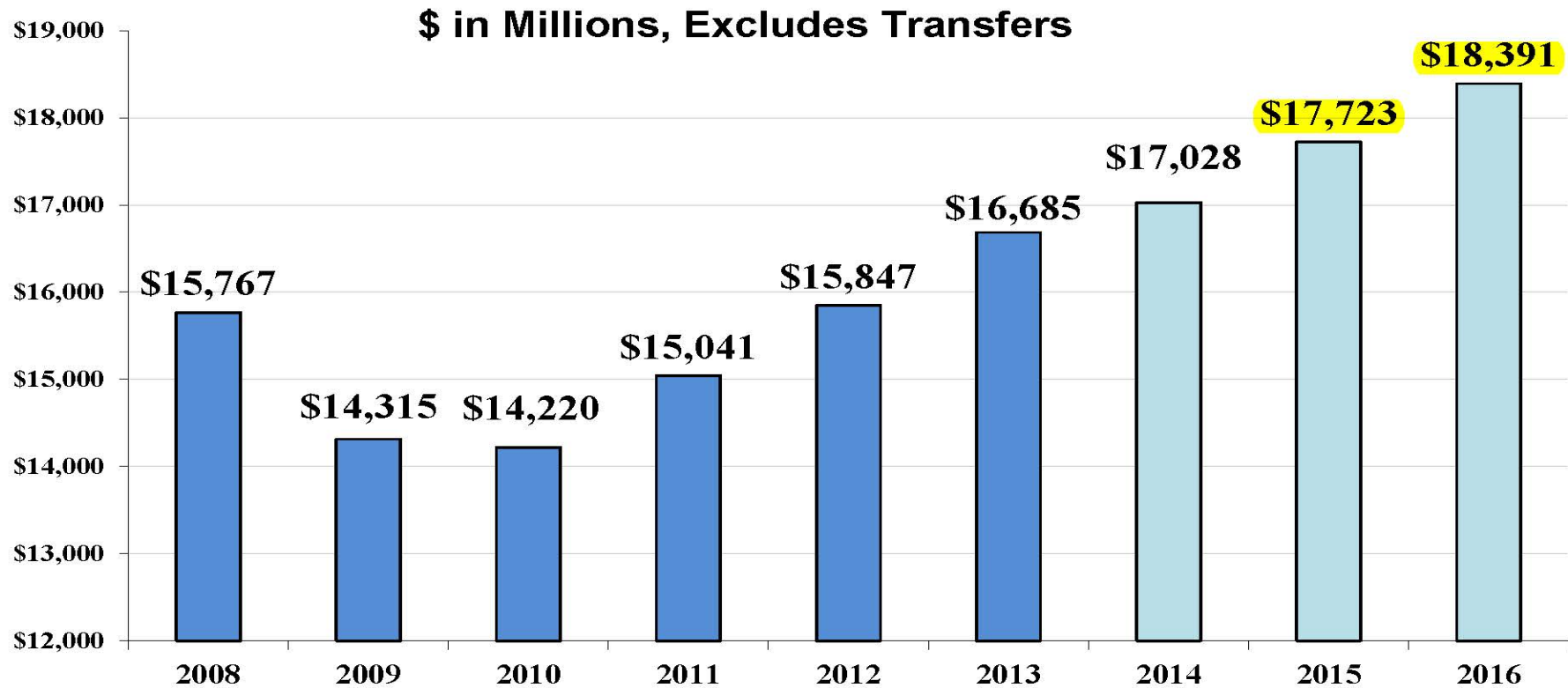
*Annual Enrollment Growth Has Been Below One Percent*



Note: For comparison purposes, figures do not include Lottery Proceeds, which were budgeted as GF prior to FY 2009.



## Actual and SFC Projected GF Revenues



## 2014-16 Budget Pressures

<i>(\$ in millions)</i>	<u>FY 2015</u>	<u>FY 2016</u>	<u>2014-16</u>
Medicaid Forecast	\$225.2	\$419.2	\$644.4
<b>K-12 Rebenchmarking (incl. VRS)</b>	<b>280.7</b>	<b>325.2</b>	<b>605.9</b>
Rainy Day Fund (+\$95m reserved)	148.2	70.8	219.0
Debt Service	75.0	100.0	175.0
VRS/OPEB – State Emp.	85.8	85.8	171.6
DOJ Settlement ID/DD Waivers	57.2	61.0	118.2
Other HHR (DSS, CSA, DBHDS)	28.9	29.9	58.8
Employee Health Insurance	26.8	26.8	53.6
Jail per diems, new jails, staffing	23.3	27.2	50.5
DOC Inmate Medical, operating	8.3	13.3	21.6
State Police – Operating	10.8	10.8	21.6
HE New Facilities On-line	8.7	12.7	21.4
Other (Ft. Monroe, DCJS, WQIF)	82.3	20.4	102.7
Savings (Lottery)	<u>(38.0)</u>	<u>(38.0)</u>	<u>(76.0)</u>
<b>Total</b>	<b>\$1,023.2</b>	<b>\$1,165.1</b>	<b>\$2,188.3</b>



## **FY15 ADM Projection**

- FY14 Budgeted ADM 12,230\***
- FY15 Projected ADM 12,420\***
- Projected Increase 190**

**\*County Planning Department Estimates**

## **State Revenue - Backdrop**

- **State sales tax is flat or slightly short of state projections**
- **State budget showing modest growth**
- **FY15 is the 1st year of the biennium. Long session (60 days) for General Assembly**
- **Will K-12 education funding be a priority?**

## State Revenue – Backdrop (cont'd)

- **Changes in SOQ's (?)**
- **Impact of re-benchmarking**
- **VRS Board recommends rate changes – Increase 3.05%**
  - Retirement 13.66% to 16.50% = 2.84%**
  - Retiree health care credit 1.11% to 1.18% = .07%**
  - Group life insurance 1.19% to 1.33% = .14%**
- **Must shift another 1% of VRS to employee in FY15**

## State Revenue – Backdrop (cont'd)

- **The Local Composite Index will change:**

**FY14      .4049**

**FY15      .4024**

**(LCI is the measure of local ability to pay)**

**Increases state revenue by approximately  
\$130,000**

**(Last year rate increased from .3727 to .4049. Reduced  
State funding by over \$2.2 million.)**

## **FY15 changes in local composite index for Hampton Roads comparator school divisions**

<b>Portsmouth</b>	<b>(0.0078)</b>
<b>Virginia Beach</b>	<b>(0.0077)</b>
<b>Chesapeake</b>	<b>(0.0069)</b>
<b>Suffolk</b>	<b>(0.0041)</b>
<b>Newport News</b>	<b>(0.0027)</b>
<b>York</b>	<b>(0.0025)</b>
<b>James City County</b>	<b>0.0001</b>
<b>Norfolk</b>	<b>0.0020</b>
<b>Hampton</b>	<b>0.0037</b>



## **FY15 local composite index for Hampton Roads comparator school divisions**

<b>Williamsburg</b>	<b>0.8000</b>
<b>James City County</b>	<b>0.5629</b>
<b>Virginia Beach</b>	<b>0.4033</b>
<b>York</b>	<b>0.4024</b>
<b>Chesapeake</b>	<b>0.3609</b>
<b>Suffolk</b>	<b>0.3489</b>
<b>Norfolk</b>	<b>0.3122</b>
<b>Hampton</b>	<b>0.2949</b>
<b>Newport News</b>	<b>0.2907</b>
<b>Portsmouth</b>	<b>0.2677</b>

## **State Revenue – Key Dates**

- **Governor releases his proposed FY15 budget on December 16, 2013**
- **General Assembly convenes on January 8, 2014**
- **General Assembly scheduled to close session on or about March 8, 2014**

## **Federal Impact Aid/DoD for FY15**

- **FY14 – currently under a Continuing Resolution that ends January 15, 2014**
- **Continue counting students displaced by renovations at Bethel Manor**
- **FY15 impact aid preliminary estimate is \$9.15 million or \$300k less than FY14 budget**
- **Projecting a decrease of \$46.45k in heavily impacted funds from DoD**

## **Federal Revenue for FY15 (cont'd)**

- **If second year of sequestration occurs, impact aid would be cut over 6% (impact on FY15 would depend on prior year payments)**
- **Under sequestration other federal grants such as Title I would be cut**
- **Overall, approximate potential impact of sequestration is a reduction of \$1.0m.**

## FY15 County Funding

- Unknown at this time
- There is no funding formula for the County
- Real estate reassessment year (impact on school division is unknown)

Look back at FY14	Increase
School Board requested	\$2,918,993 +6%
County Administrator recomm'd	2,310,993 +4.7%
Board of Supervisors approved	1,173,493 +2.4%

## FY15 Revenue Outlook

<b>State (possible range of 5% increase to 4% reduction)</b>	<b>\$2.8m to (\$1.0m)</b>
<b>Federal Impact Aid</b>	<b>\$(300k)</b>
<b>Federal (DoD Heavily Impacted)</b>	<b>(46.45k)</b>
<b>County</b>	<b>?</b>

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**One possibility for range in federal and  
state revenue changes                      \$2.45m to (1.34m)**

**Based on information available.**

**Second year of Sequestration not included.**

## FY15 Employee Compensation

**VRS Contribution (each 1% shift to EE = \$150,000)**

**ER Cost if 2% VRS were shifted to EE \$300,000**

**Approx. cost to hold EE harmless (.2%) \$152,000**

**VRS Professional Group - VRS Board**

**recommends 3.05% point increase \$1,860,000**

**(State will share in this cost per the SOQ's)**

**VRS Non- Professional Group – rates**

**unknown at this time ?**

## **FY15 Employee Compensation (cont'd)**

**Health Insurance (each 1% = \$129,000)**

**No increase projected for EE or ER                      no increase**

**Cost of one step for all eligible staff                      \$1,250,000**

**Market Adjustment (each 1% for all EE's)              \$760,000**  
**(Both assume current teacher salary schedule)**



# **School Division New Funding Requirements**

## **EXAMPLES:**

- **Contractual services**
- **Special Education teachers**
- **Teachers, Para-educators, materials for additional enrollment**
- **Local funding of sequestration cuts**
- **Textbooks, technology, replacement buses**

## **Key Dates in January (as of Dec. 2, 2013)**

- **January 6, 2014**      **School Board Work Session on FY14E and FY15 Operating Budget**
- **January 27, 2014**      **Public Forum on FY15 Operating Budget**
- **February 4, 2014**      **Joint work session with Board of Supervisors**

**THE END**