



**Fiscal Year 2014  
Budget Outlook  
December 3, 2012**

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

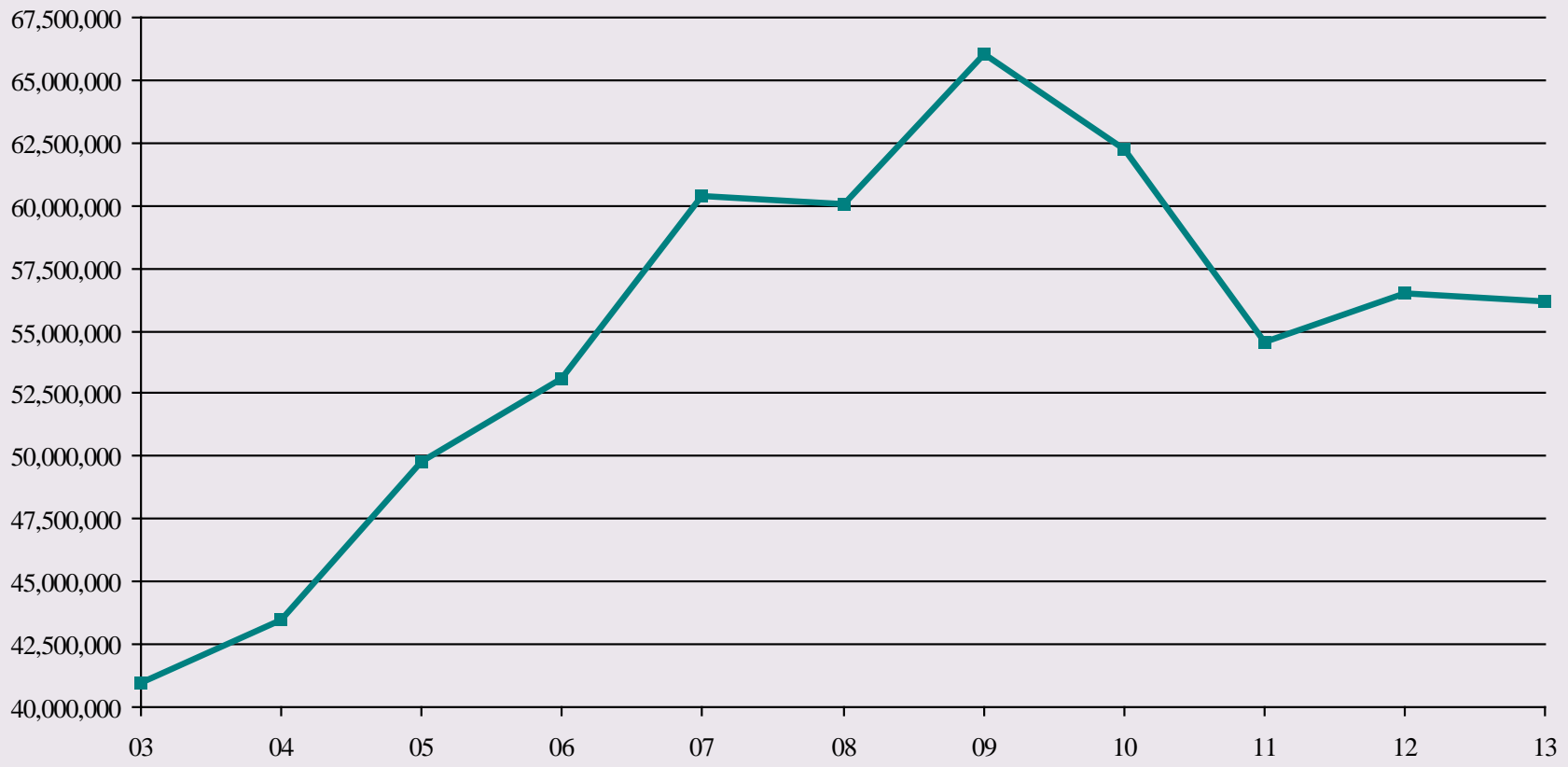
- State revenue down \$9.2m (14.2%) or \$11.7m (18%) if including effect of VRS increased costs**
- Total operating budget reduced \$4m (3.2%) or \$6.5m (5.2%) if including effect of VRS increased costs**
- Cut 124 permanent positions (not temporary positions) by attrition and layoffs**
- Provided no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

# Operating Budget Comparisons

(Does Not Include Federal Stimulus Allocations)



# YCSD State Operating Fund Revenue



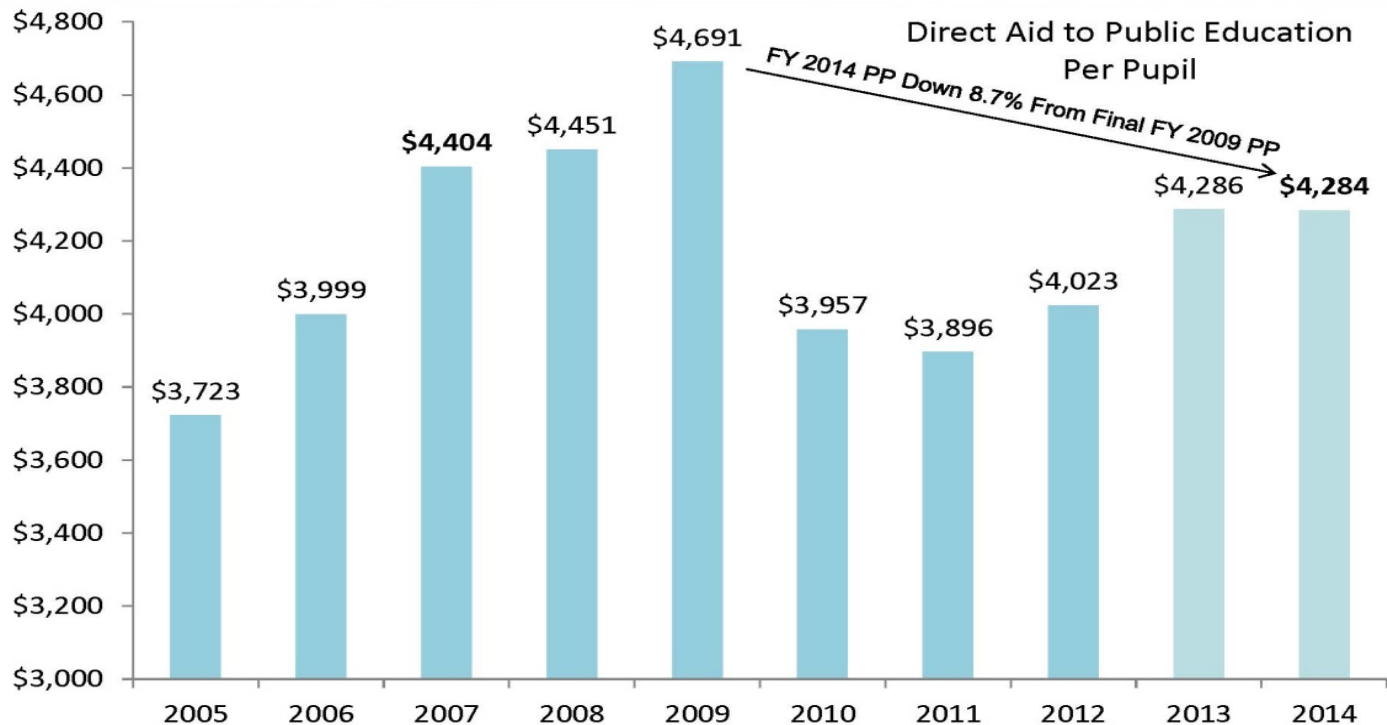
# What are Recent State Spending Trends?

- Despite the importance of education to future economic competitiveness, the Great Recession, combined with the growth in Medicaid, has taken its toll on state funding levels.
- According to the Center on Budget and Policy Priorities (September 4, 2012), which advocates restoring school funding as an urgent priority:
  - Half of the states still are cutting K-12 with 26 states providing less state funding in FY 2013 than the year before.
  - Virginia is among the 35 states (of the 48 surveyed) where FY 2013 levels are below FY 2008 per pupil levels after adjusting for inflation.



## 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.



## **FY14 ADM Projection**

- FY13 Budgeted ADM 12,350\***
- FY14 Projected ADM 12,230\***
- Projected Decrease (120)**

**\*County Planning Department Estimates**

## **State Revenue - Backdrop**

- **State sales tax is showing modest growth**
- **State budget showing modest growth**
- **FY14 is the 2nd year of the biennium. Short session (45 days) for General Assembly**
- **Will K-12 education funding be a priority?**



# **State Revenue – Backdrop (cont'd)**

- Impact of inflation adjustments to SOQ's?**
- Changes in SOQ's?**
- VRS rates are not scheduled to change in FY14**

**Retirement**

**Retiree health care credit**

**Group life insurance**

- Must shift another 1% of VRS to employee in FY14**

## **State Revenue – Backdrop (cont'd)**

- The Local Composite Index will not change:**

**FY13            .4049**

**FY14            .4049**

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

**Last year rate increased from .3727 to .4049.**

**Reduced State funding by over \$2.2 million.**

## **FY13 increase in local composite index for Hampton Roads comparator school divisions**

<b>York</b>	<b>0.0322</b>
<b>Portsmouth</b>	<b>0.0258</b>
<b>Hampton</b>	<b>0.0222</b>
<b>Chesapeake</b>	<b>0.0213</b>
<b>Newport News</b>	<b>0.0156</b>
<b>Norfolk</b>	<b>0.0098</b>
<b>Suffolk</b>	<b>0.0098</b>
<b>Virginia Beach</b>	<b>0.0050</b>
<b>James City County</b>	<b>(0.0040)</b>

# **FY14 local composite index for Hampton Roads comparator school divisions**

<b>Williamsburg</b>	<b>0.8000</b>
<b>James City County</b>	<b>0.5628</b>
<b>Virginia Beach</b>	<b>0.4110</b>
<b>York</b>	<b>0.4049</b>
<b>Chesapeake</b>	<b>0.3678</b>
<b>Suffolk</b>	<b>0.3530</b>
<b>Norfolk</b>	<b>0.3102</b>
<b>Newport News</b>	<b>0.2934</b>
<b>Hampton</b>	<b>0.2912</b>
<b>Portsmouth</b>	<b>0.2755</b>

# State Revenue – Key Dates

- **Governor releases his proposed amendments to FY14 budget on December 17, 2012**
- **General Assembly convenes on January 9, 2013**
- **General Assembly scheduled to close session on or about February 23, 2013**

## **Federal Impact Aid/DoD for FY14**

- **Level funding by Congress – currently under a Continuing Resolution that ends March 27, 2013**
- **Continue counting students displaced by renovations at Bethel Manor**
- **FY14 impact aid preliminary estimate is \$9.45 million (level funding)**
- **Projecting a decrease of \$40.5K in heavily impacted funds from DoD**

## **Federal Revenue for FY14 (cont'd)**

- If sequestration occurs, impact aid would be cut over 8.2% (impact on FY14 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 \$1.2m.**

## **FY14 County Funding**

- **Unknown at this time**
- **There is no funding formula for the County contribution to School Division**



# FY14 Revenue Outlook

<b>State (GA approved in FY13 for FY14)</b>	<b>\$ (260K)</b>
<b>State – Amendments to FY14 budget</b>	<b>?</b>
<b>Federal (DoD)</b>	<b>(40.5K)</b>
<b>County</b>	<b>?</b>
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<b>One possibility for revenue decreases</b>	<b>\$ (300.5K)</b>

**Based on information available.  
Sequestration impact not included.**

# FY14 Employee Compensation

<b>VRS Contribution (each 1% shift to EE = \$150,000)</b>	
<b>ER Cost if 4% VRS were shifted to EE</b>	<b>\$600,000</b>
<b>Approx. cost to hold EE harmless (.8%)</b>	<b>\$608,000</b>
<b>Health Insurance (each 1% = \$129,000)</b>	
<b><u>I</u>f the increase were 20% (EE + ER)</b>	<b>\$2,580,000</b>
<b>Cost of one step for all eligible staff</b>	<b>\$1,250,000</b>
<b>Market Adjustment (each 1% for all EE's)</b>	<b>\$760,000</b>

# School Division New Funding Requirements

## EXAMPLES:

- **Contractual services**
- **Special Education teachers**
- **Utilities**

## **Examples of possible expenditure reductions – Staff reductions would be by attrition if possible**

- **Central office expenditures**
- **Contractual services for instruction and operations**
- **Custodial / maintenance / technology staff**
- **Para-educators - enrollment loss and/or increase class size**
- **Teachers – enrollment loss and/or increase class size**
- **Staff development**
- **Technology refurbishment**

# Key Dates in January (as of Dec. 3, 2012)

- **January 7, 2013**      **School Board Work Session on FY13E and FY14 Operating Budget**
  
- **TBD**      **Joint work session with Board of Supervisors**
  
- **January 28, 2013**      **Public Forum on FY14 Operating Budget**

**THE END**