

BATH COUNTY SCHOOL BOARD

AGENDA ITEM: INFORMATION { X }                      ACTION {    }                      CLOSED MEETING {    }

**SUBJECT:**                      SUPERINTENDENT’S REPORT – PRESENTATIONS/ INFORMATION

2014-2015 Budget Update

**BACKGROUND:**                      Any new information regarding revenue or expenditures that becomes available will be shared.

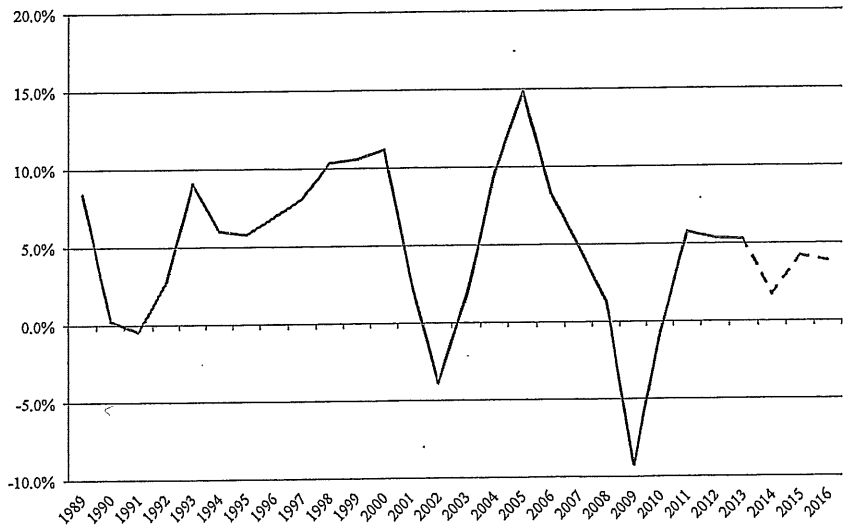
# 2014 Session Introduced Budget

Virginia School Board Association

Fiscal Analytics, Ltd.

January 27, 2014

**Forecast General Fund Revenue Growth**  
(FY 14 = 1.7%, FY 15 = 4.2%, FY 16 = 3.9% \*)

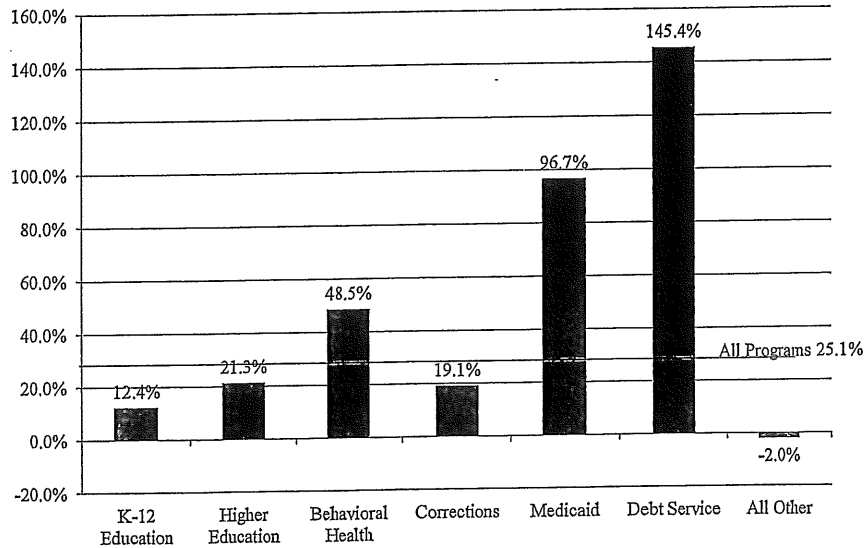


## Introduced General Fund Budget for 2014-16 (\$ Mil.)

	<u>2014 Session Introduced Budget</u>		
	FY 2014 Intro. Budget (\$ mil.)	FY 2015 Intro. Budget (\$ mil.)	FY 2016 Intro. Budget (\$ mil.)
Legislative and Executive Dept's	103.2	108.4	106.6
Judicial Dept.	425.2	445.4	446.0
Administration/Comp Board	649.2	682.6	687.1
Treasury Board GF Debt Service	610.1	689.2	734.7
Other Finance/Technology	171.8	182.3	184.1
Rainy Day Fund	339.6	243.2	59.9
Car Tax Reimbursement	950.0	950.0	950.0
Commerce and Trade	183.3	185.3	199.3
Agriculture / Nat. Resources	144.1	186.1	155.5
K-12 Education/Central Office	5,320.2	5,624.6	5,670.4
Higher & Other Education	1,782.1	1,950.9	1,951.5
DMAS Medicaid	3,526.8	3,924.8	4,112.8
Other Health & Human Services	1,542.9	1,651.7	1,613.3
Public Safety & Veterans/HS	1,698.4	1,802.2	1,816.5
Transportation	42.0	42.6	49.6
Central Appropriations	246.9	137.8	162.3
Independent Agencies/Capital	1.2	4.1	1.2
<b>Total GF Appropriations</b>	<b>\$ 17,737.1</b>	<b>\$ 18,811.2</b>	<b>\$ 18,900.7</b>
<b>GF Resources</b>	<b>\$ 17,493.8</b>	<b>\$ 18,223.6</b>	<b>\$ 18,952.3</b>
<b>Balances</b>	<b>\$ 779.8</b>	<b>\$ 94.5</b>	<b>\$ (0.5)</b>
<b>Unspent Balance</b>	<b>\$ 536.5</b>	<b>\$ 43.4</b>	<b>\$ 51.0</b>

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## Major GF Budget Drivers FY 2006-16



Source: <http://www.dpb.virginia.gov/forms/20131216-1/BudgetDirectorsPresentation12-16-2013.pdf>

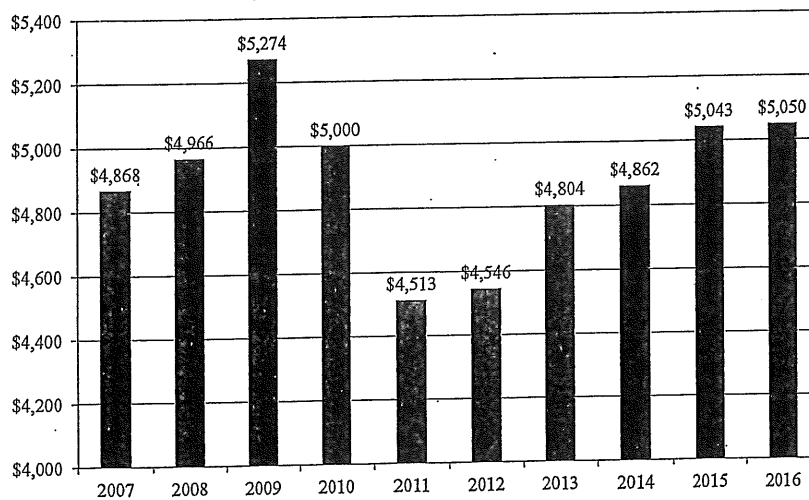
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## GF + Lottery State Aid to Localities (\$ Mil.)

	<u>2008-10</u>	<u>2010-12</u>	<u>2012-14</u>	<u>2014-16</u>
Direct Aid to K-12	\$11,248.0	\$10,550.7	\$11,444.9	\$12,185.2
Health and Human Services	\$1,767.1	\$1,639.5	\$1,610.6	\$1,636.1
Public Safety	\$1,291.1	\$1,356.0	\$1,367.1	\$1,436.6
Constitutional Officers	\$297.5	\$288.0	\$289.3	\$306.4
Car Tax	\$1,900.0	\$1,900.0	\$1,900.0	\$1,900.0
Aid-to-Locality Reduction	(\$100.0)	(\$120.0)	(\$50.0)	\$0.0
<b>Total Local Aid GF + Lottery</b>	<b>\$16,403.7</b>	<b>\$15,614.2</b>	<b>\$16,561.8</b>	<b>\$17,464.4</b>
<b>Total GF + Lottery Appropriations</b>	<b>\$31,600.8</b>	<b>\$32,922.6</b>	<b>\$35,877.7</b>	<b>\$38,712.1</b>
<i>Direct Aid to K-12 % of Total GF/Lottery</i>	<i>35.6%</i>	<i>32.0%</i>	<i>31.9%</i>	<i>31.5%</i>
<i>Total Local Aid % of Total GF/Lottery</i>	<i>51.9%</i>	<i>47.4%</i>	<i>46.2%</i>	<i>45.1%</i>

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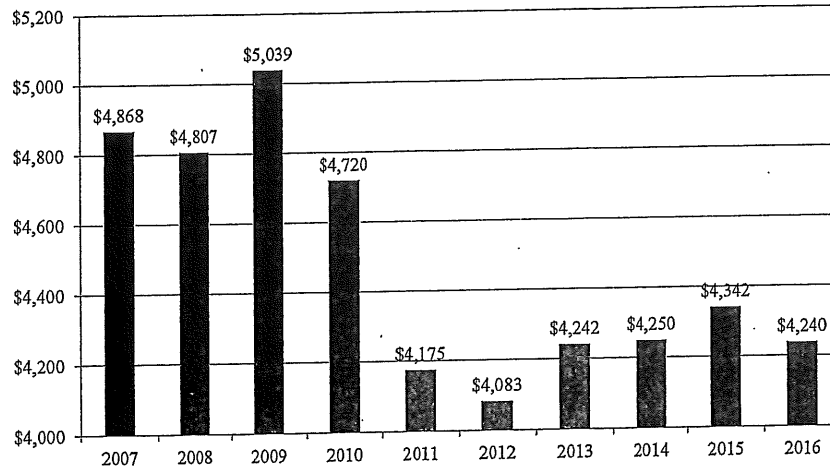
### State Per Pupil K-12 Funding Still Well Below FY09 Peak (All State Appropriated Funds)



Includes GF, lottery profits, miscellaneous NGF, and state appropriated federal stimulus funds  
Source: [http://www.doe.virginia.gov/school\\_finance/budget/calc\\_tools/index.shtml](http://www.doe.virginia.gov/school_finance/budget/calc_tools/index.shtml)

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**Inflation-Adjusted State Per Pupil K-12 Funding  
Indicates Even Larger Declines  
(2007 \$ - All State Appropriated Funds)**



Includes GF, lottery profits, miscellaneous NGR, and state appropriated federal stimulus funds *adjusted by the CPI*

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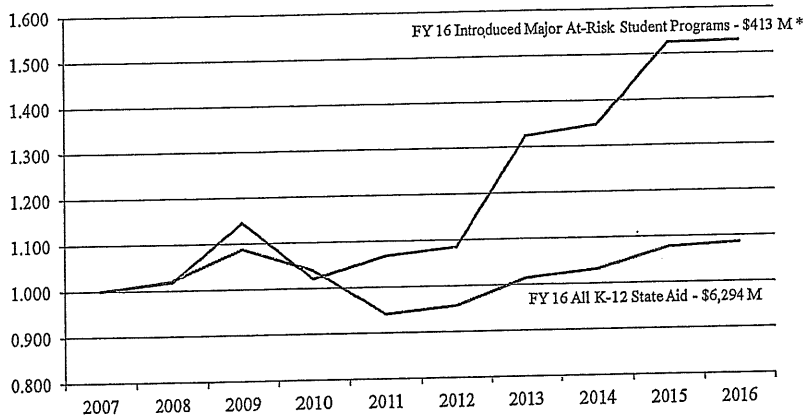
**State K-12 Policy Changes  
Adopted to Reduce Funding**

<u>Major K-12 Funding Policy Changes Since 2008 Session</u>	<u>Session</u>	<u>Biennial \$ in Mil.</u>
Cap Funding for Support Positions	2009	(\$754)
Eliminate School Construction Grants	2009	(\$55)
Adjust Health Care Participation Rates	2010	(\$269)
Eliminate Equipment, Travel, Misc. Expenses From SOQ Calculation	2010	(\$244)
Include \$0 Values in Linear Weighted Avg Calculation	2010	(\$79)
Eliminate Lottery Support for School Construction	2010	(\$67)
Drop Lowest Tier From K-3 Class Size Calculation	2010	(\$36)
Extend School Bus Replacement Cycle From 12 to 15 Yrs	2010	(\$19)
Eliminate Enrollment Loss Assistance	2010	(\$16)
Eliminate Non-personal Inflation Update (not originally intended as permanent, partially offset in 2012-14 biennium)	2012	(\$109)
Reduce Nova COCA for support positions	2012	(\$28)
Use Kindergarten as Proxy for 4-yr-old Pre-K Count	2012	(\$27)
<b>Total Major Policy Changes Since 2008</b>		<b>(\$1,703)</b>

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## State At-Risk Student Education Aid Growing Faster Than Overall Aid

Cumulative Growth Since FY 2007 in Total State K-12 Aid  
Compared to Major At-Risk Student Education Programs

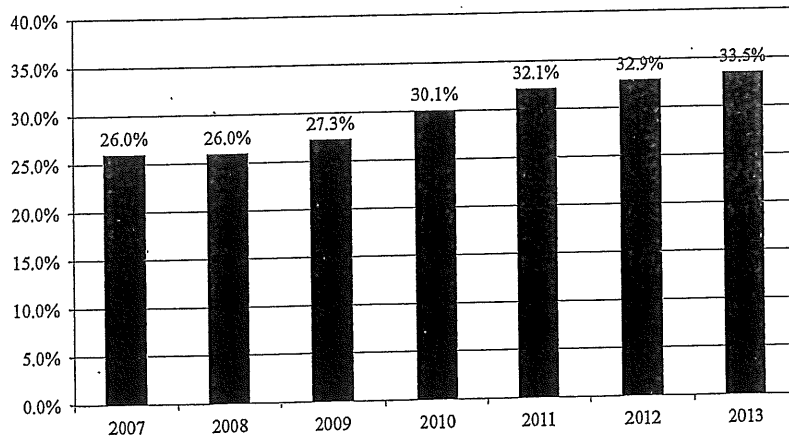


\*Includes state funds for SOQ Prevention, Intervention, Remediation, and Lottery-funded At-Risk, K-3 Class Size, VPI, Algebra Readiness, Early Reading programs

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## ...Largely as a Result of Increases in At-Risk Students

Percentage of Free Lunch Students in VA



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## Summary of Introduced 2014-16 K-12 GF Base Budget Changes (\$ Mil.)

	<u>FY 2015</u>	<u>FY 2016</u>
Rebenchmark SOQ, Incentive, Categorical Programs	\$197.4	\$226.8
Update Local Composite Index	18.3	18.3
Update VRS, Group Life, and Retiree Health Care Credit Contribution Rates	84.1	84.5
Adjust Sales Tax Revenue/School-Age for K-12 Forecast	6.1	25.6
Offset Reduced Literary Fund for Teacher Retirement/Construction	28.1	24.7
Use Additional Lottery Profits for K-12	(38.0)	(38.0)
Capture VPI Non-participation	(24.2)	(24.3)
Eliminate Non-personal Inflation from SOQ Rebench	(38.1)	(38.3)
Eliminate NoVa COCA adjustment for Support Positions	(10.2)	(10.2)
All Other	<u>3.8</u>	<u>3.9</u>
Total Changes From FY 2014 K-12 Direct Aid Base Budget	\$227.3	\$273.0

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## K-12 Public Education Funding Issues

- VRS teacher rates rise 24 percent from 11.66% to 14.5% in 2014-16 biennium.
- 2014-16 introduced budget re-benchmarks, but does not restore policy reductions made during the recession.
  - Continues no inflation update for non-personal expenses from base year (FY 2012) to start of FY 2015.
  - New policy of eliminating altogether cost-of-competing support position adjustment for NoVa.
- Still no funding for Board of Education recommended revisions to the Standards of Quality.
- Limited new funding proposals for schools with higher levels of at-risk students required to implement plans under an NCLB waiver to narrow their achievement gap.

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## Virginia Board of Education Recommended, But Unfunded, Changes to the SOQ

	Year First Recommended	FY 2014 Est. \$ Mil
A full-time principal for each elementary school	2003	\$8.0
A full-time assistant principal for every 400 students in the school	2003	\$70.6
One reading specialist for every 1,000 students in K-12	2003	\$51.3
One mathematics specialist for every 1,000 students in K-8	2006	\$35.0
A data manager-test coordinator for every 1,000 students in K-12	2006	\$51.3
Reducing speech-language pathologist caseloads from 68 to 60	2003	\$5.3
<b>Total Annual Unfunded BOE Recommended SOQ Changes</b>		<b>\$221.5</b>

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## Headwinds Remain for Increasing Future State K-12 Operating Support

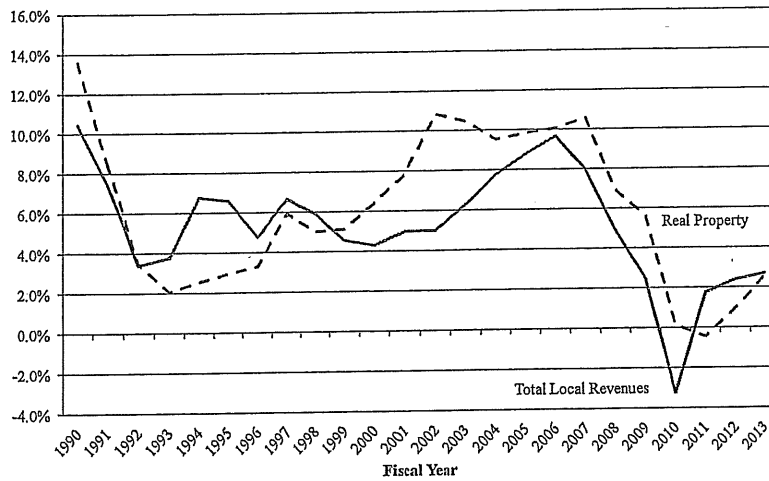
- Continuing modest GF revenue growth?
- Future Rainy Day Fund deposits, although declining by FY 2016.
- Medicaid program continuing to grow faster than GF revenues.
- Increasing VRS contribution rates. Expect rates of 15.5% in 2016-18 biennium and 17% in 2018-20 biennium as full phase-in of rates is completed.
  - Funded status for teachers at end of FY 2013: 62.1%
- Increasing GF debt service due to lack of a pay-as-you-go capital program.
- More general funds for transportation scheduled.

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## Local Revenues Only Beginning to Grow

### Local Revenue Trends



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## Tough Choices Continued for Local Budgets in FY 2014

* 44 localities responding to VML/VACO survey	Top 3 FY 14 Local Budget Balancing Actions
Delay or Cancel Capital or Equipment Purchases	21
Increase tax rates or fees*	14
Drawdown Reserves or Balances	13
Other Targeted Budget Cuts	13
Reduce Employee Benefits	9
Eliminate Vacancies or Positions	8
Salary or Hiring Freezes	7
Renegotiate Debt	6
One-time/Other	5
K-12 Education Cuts	5
Early Retirement Incentives	3
Across-the-Board Budget Cuts	1

\* 11 of 44 localities increased RE tax rates - 8 at rate greater than equalization  
Source: Results from VML/VACO 2013 fiscal survey

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## Virginia Is a Wealthy, Low Tax State, With Higher Reliance on Locality Taxes

	<u>State Rank</u>
Per capita personal income	8
State and local taxes as a percentage of personal income	43
Per capita state taxes	32
Per capita local taxes	14
Individual income taxes as a percentage of state and local tax revenue	7
Per capita state and local debt outstanding	28

Source: Virginia Compared to Other States, JLARC, 2013 Edition

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## Virginia Spending Rankings Reflect Tax Policies

	<u>State Rank</u>
State Per Pupil Funding Pre-K-12	38
State and Local Per Pupil Funding	21
Average Salary of Public School Teachers	29
Per Capita Medicaid Expenditures	46
In-State Tuition and Fees at Public 4-Year Institutions	13
State Corrections Expenditures per Offender	13

Source: Virginia Compared to Other States, JLARC, 2013 Edition

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