

# State Revenue Forecast

## Background

### Rebenchmarking:

- State funding for school divisions is provided through the Direct Aid to Public Education budget.
- In each odd-numbered year, the state cost of the Direct Aid budget is “rebenchmarked” for the next biennium, to recognize changes in costs over the preceding biennium.
- Rebenchmarking updates are technical in nature and do not involve changes in policy, other than those previously approved by General Assembly action.
- The input data used to calculate the cost of the Direct Aid accounts is updated to recognize changes in costs that have occurred over the previous biennium.

# State Revenue Forecast

## Background

### Rebenchmarking:

- SOQ funding is primarily driven by the instructional staffing standards in the Code of Virginia and the salary and fringe benefit costs for required instructional positions based on statewide “prevailing costs.”
- Basic Aid also includes funding for support positions and non-personnel support costs on a statewide “prevailing cost” basis.
- \*\*Since 2009, Basic Aid funding for support positions has been reduced by an arbitrary cap that was supposed to be temporary but has never been lifted. The cap is based on a ratio of instructional staff to support staff (originally 4.03 to 1), not on statewide prevailing rates. This cap has allowed the state to reduce funding for education by approximately **\$378 million** annually. Further, the support position cap is being increased in the 2016-2018 biennial budget - the ratio of instructional to support positions moving from 4.09 to 1 to 4.19 to 1. This action will result in an additional reduction to statewide funding for education by approximately **(\$25,288,839)** during the biennium.

# State Revenue Forecast

## Background

### Rebenchmarking:

- Key data inputs used in 2016-2018 rebenchmarking calculations (using FY14 and FY15 data):
  - Funded instructional and support salaries
  - Fall Membership and Average Daily Membership enrollment projections
  - Special Education child count
  - Career & technical education course enrollment
  - SOL failure rates and free lunch eligibility percentages for SOQ remedial education and other at-risk accounts
  - Base-year expenditure data from 2013-2014 Annual School Report

# State Revenue Forecast

## Background

### Rebenchmarking:

- Key data inputs used in 2016-2018 rebenchmarking calculations (using FY14 and FY15 data) - CONTINUED:
  - Health care premium expenditures
  - Non-personal cost inflation factors
  - Federal programs revenue (to deduct from funded support costs)
  - Textbooks costs for prevailing textbook per pupil amount
  - Enrollment projections for remedial summer school and English as a Second Language programs

# State Revenue Forecast

## Background

### Local Composite Index:

- The 2016-2018 composite index of local ability to pay (LCI) was calculated using 2013 base year data:
  - Adjusted gross income
  - Taxable retail sales
  - True value of property
  - Local population estimates
  - Average daily membership
- For Pulaski County, the Composite Index slightly decreased from 0.3113 in the 2014-2016 biennium to 0.3105 for 2016-2018, indicating a decrease in the local ability to pay.
- This lower LCI results in an overall slight increase in state Direct Aid funding for Pulaski County.
- Because the base year used was 2013, the LCI recalculation did not include the 8% decrease in overall real estate values resulting from the 2015 county reassessment. Therefore, any substantial increase in state funding from last year's reassessment will not be realized until the 2018-2020 biennium.

# State Revenue Forecast

## Governor's Introduced Budget

### Summary:

- Includes rebenchmarking Direct Aid Costs
- Updated for Recalculated Composite Index for 2016-2018
- Updated sales tax revenue estimates for 2016-2018
- Updated Lottery proceeds
- Updated employer contribution rate for VRS

# State Revenue Forecast

## Governor's Introduced Budget

### Local Impact: (positives)

- Basic Aid – Rebenchmarking results combined with the slightly lower LCI results in an overall increase in state Basic Aid and related SOQ accounts for Pulaski County.
- Sales tax projections – The Governor's budget reflects the most recent estimate of sales tax revenue dedicated to public education for FY 17 and FY 18. These revised sales tax estimates are higher than FY 16 and results in higher projected payments for local school divisions.
- VRS Retirement – The proposed higher employer VRS contribution rate leads to an increase in this revenue account, but only covers approximately 62 percent of the actual cost increase.

# State Revenue Forecast

## Governor's Introduced Budget

### Local Impact: (positives) CONTINUED

- At-Risk Add-on – State payments for at-risk students are disbursed to school divisions based on the estimated number of federal free lunch participants in each division to support programs for students who are educationally at-risk. Funding is provided as a percentage add-on to Basic Aid to support the additional costs of educating at-risk students. The Governor's budget proposes an additional \$24.8 million in FY 17 and \$24.9 million in FY 18 based on increasing the add-on range from a minimum of one percent to 2.5 percent and the maximum of the range from 12 percent to 14 percent.

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## Governor's Introduced Budget

### Local Impact: (negatives)

- Enrollment loss – The revised Average Daily Membership (ADM) projections for Pulaski County are now 4,127 students for FY 2017 and 4,060 for FY 2018. By comparison, the original state projection for FY 2016 was 4,260 students. This projection is provided to the DOE by the Weldon-Cooper Center for Public Service. Local school divisions are given the flexibility to budget using their own estimates, however final state payments are based on the actual March 31 ADM number. Following a lower actual enrollment in Fall 2015, our local projection was lowered to 4,194 and the local budget decreased to account for this difference. The FY 17 ADM projection would be a roughly 1.5 percent decrease compared to the FY 16 revised number and that percentage is close to the local trend data that we have seen over the past few years.

# State Revenue Forecast

## Governor's Introduced Budget

### Local Impact: (negatives)

- Special Education – The updated local Special Education child count resulted in a 6.89% decrease in state funding for Special Education programs for FY 2017. The final child count for 12/1/2013 was 740 and for 12/1/2014 the count was 689 for a decrease of 51 students.
- Removal of Incentive programs – The biennial budget removes one-time funding for the Compensation Supplement (state share of 1.5% salary increase). This reduction results in a funding decrease of (\$229,961) for Pulaski County.
- Increase to VRS Employer Contribution rates – (detailed in next slide)

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## Governor's Introduced Budget

### VRS Employer Contribution Increase:

- The Governor's budget adopts higher VRS employer contribution rates for instructional retirement benefits in 2016-2018, increasing from 14.06% to 14.66% in FY 17 and 16.32% in FY 18.
- The rates recommended by the Governor are based on 90 percent of the 2016-2018 rates recommended by the VRS Board of Trustees for FY 17 and 100 percent recommended for FY 18.
- The local non-professional VRS retirement employer contribution rates paid for several groups of employees (custodial, maintenance, cafeteria staff) are determined by local actuarial data and are not affected by these changes.
- The employer rates for VRS Retiree Health Care Credit and Group Life insurance are also adjusted.
- This VRS employer cost increase is estimated to total \$128,640 for the school operating budget in FY 2017. This amount excludes increases to the Cafeteria Fund budget, Governor's School, and federal grant budgets.

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## Governor's Introduced Budget

### FY 2017 Budget Impact Summary:

Increase in local state revenue :	\$359,543
Increase in local costs due to higher VRS employer contribution rates:	<u>\$(128,640)</u>
Net State Revenue Increase	\$ 230,903

# State Revenue Forecast

## Governor's Introduced Budget

### Additional Instructional Positions

- The Governor's budget provides the state share of funding over the biennium to increase the number of instructional personnel by approximately 2,500 positions statewide.
- The funds will be distributed based on a formula of one position for each elementary school in FY 17 and FY 18, and two positions for each middle school and high school in FY 18.
- Funded positions per school is a funding formula, not a fixed staffing requirement for each school. School divisions are given flexibility to hire the necessary number of qualifying instructional positions and which schools they are assigned.
- The state share of funding provided is based on the composite index of each division, as well as the SOQ funded salary amounts for teachers and funded fringe benefit rates.

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## Governor's Introduced Budget

### Additional Instructional Positions

- The DOE is required to inform each school division of its eligible funding and the number of instructional personnel that funding supports each year.
- For a division to receive its state share of funding, the superintendent must certify to the DOE that the number of additional instructional personnel are employed based on the amount of eligible funding being requested.
- A division may elect to receive a portion of its eligible funding each year according to the number of additional instructional personnel employed and certified.
- These funds must be used to hire additional instructional personnel and cannot be used to support existing positions.
- Funds must support instructional personnel at the school level and may not support district-wide positions.

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## Governor's Introduced Budget

### Additional Instructional Positions

- Our calculation tool provided by the DOE Budget office shows Pulaski County eligible to receive \$213,980 in FY 2017 and \$481,871 in FY 2018.
- For FY 17, this would be equivalent to \$42,796 in eligible state funding per position if the formula of one position per elementary school is used.
- We expect to receive more detailed information on this initiative in the coming weeks.

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## Key General Assembly Session Dates

- Jan. 13 – Pre-filing ends at 10 am. GA convenes at noon.
- Jan. 15 – Budget amendments due to House Appropriations and Senate Finance by 5 pm.
- Jan. 22 – Last day to file most bills.
- Feb. 16 – Crossover day.
- Feb. 25 – Houses of introduction to complete work on the Budget Bills.
- Mar. 12 – Adjournment.
- Apr. 20 – Veto session.