

State Budget Forecast

Governor's Proposed Amendments

- Governor McAuliffe's proposed amendments to the current 2016-2018 biennial budget were presented Friday, December 16, 2016 before a joint session of the Senate Finance, House Appropriations, and House Finance committees.
- The Governor's amendments to the 2016-2018 budget will be considered by the 2017 General Assembly session which convened on January 11, 2017.
- The recommendations made by the Governor include technical updates to the Standards of Quality (SOQ), Incentive, Categorical, and Lottery-funded accounts, along with proposed policy changes.

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Governor's Proposed Amendments

Governor's key recommendations impacting public education:

- Eliminating the 2 percent Compensation Supplement that was to be effective on December 1, 2016.
- Providing a one-time 1.5 percent bonus for SOQ-funded instructional and support positions effective December 1, 2017, in fiscal year 2018.
- Updating the Direct Aid accounts for enrollment changes, program participation, and other technical changes.
- Updating Sales Tax and Lottery revenue estimates dedicated to public education.
- No changes proposed to the accelerated increase to VRS employer contribution rates adopted last legislative session for FY 2017-2018.

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Update to Average Daily Membership (ADM)

- Projections of ADM for fiscal years 2017 and 2018 are revised for each school division based on the actual March 31, 2016 ADM and September 30, 2016 fall membership. The new projected ADM for Pulaski County for FY 2018 is 4,021.

- Here is the projected change for Pulaski County:

FY 2017-2018 projected ADM:	4,021
FY 2016-2017 budgeted ADM:	<u>4,127</u>
Difference:	(106)

- Our final ADM count for the past 3 years are shown below:

- FY 2013-2014: 4,322
- FY 2014-2015: 4,274
- FY 2015-2016: 4,193

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Remove the State's share of a 2 percent salary increase

- The Governor's amended budget removes the state share of funding in fiscal year 2017 and 2018 for the 2 percent Compensation Supplement that was to be effective December 1, 2016 for funded SOQ instructional and support positions.
- For this Compensation Supplement, Pulaski County was originally expected to receive additional state funds of \$204,436 in FY 2017 (7 months of funding) and \$348,129 in FY 2018 (12 months of funding).
- In the Pulaski County Public Schools FY 2016-2017 budget, a minimum 2 percent increase was given to all teachers and an across-the-board 2 percent increase given to all support staff which will now be 100% locally funded.

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Add One-Time Bonus for SOQ-funded Instructional and Support Personnel

- The Governor's amended budget includes funding for a one-time bonus payment effective December 1, 2017, equal to 1.5 percent of the prevailing salaries for funded SOQ instructional and support positions.
- No local match of funds is required, however significant local supplemental funding would be necessary to provide this increase to all faculty and staff.
- The projected state funding for this bonus payment would be \$227,746. The estimated cost to provide a 1.5 percent bonus to all school employees is \$381,048. Therefore, the estimated additional local cost of this bonus would be \$153,302.

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Supplemental Lottery Per Pupil Funding

- The current biennial budget includes supplemental Lottery funding to school divisions on a per pupil basis.
- The per pupil amounts are subject to change based upon actual March 31 ADM collected each year.
- No more than 50 percent of funds can be used for recurring costs and at least 50 percent must be spent on non-recurring expenses. Non-recurring costs can include school construction, additions, infrastructure, site acquisition, renovations, technology and other expenditures related to modernizing classroom equipment, and debt service payments on school projects completed during the previous 10 years.

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Supplemental Lottery Per Pupil Funding

- To meet the 50 percent non-recurring requirement, the current school budget allocated 50 percent of Lottery Per Pupil revenue for the School Capital fund and the other 50 percent for the operating budget.
- For this year's Lottery Per Pupil funding, we budgeted a total of \$149,170 (\$74,585 in the operating budget and \$74,585 for the School Capital Fund).
- In the 2017-2018 budget, the Supplemental Lottery Per Pupil funding increases to \$225.25 per pupil (based on actual ADM on March 31, 2018 and our LCI) for a total of \$624,564. We are showing this as allocating 50% (\$312,282) to the operating budget and the other \$312,282 going to School Capital Fund.

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VRS Employer Contribution Increase

- The General Assembly's adopted biennial budget for 2016-2018 included higher VRS employer contribution rates for instructional retirement benefits, increasing to 14.66% in FY 2017 and 16.32% in FY 2018.
- Those contribution rates were 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.

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VRS Employer Contribution Increase

- The Governor's amended budget does not change the higher VRS retirement contribution rate that was adopted in the biennial budget.
- The amended budget also includes increases in the VRS employer contribution rates for employee Group Life Insurance and the Retiree Health Care Credit (RHCC).
- The projected fiscal impact of these VRS employer costs are shown below:

Increase in VRS retirement contributions:	\$363,632
Increase in VRS Group Life contributions:	\$ 28,477
Increase in VRS RHCC contributions:	<u>\$ 26,287</u>
Total Projected Increase:	\$418,396

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Fiscal Impact of Governor's Amended Budget

(Includes 1.5% bonus)

Projected state revenue decrease:	(\$116,944)
Projected increase in VRS contributions:	\$418,396
Projected total cost of 1.5% bonus for all school employees:	<u>\$381,048</u>
Total Projected Budget Shortfall:	(\$916,388)

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Fiscal Impact of Governor's Amended Budget

(Excludes 1.5% bonus)

Projected state revenue decrease:	(\$344,690)
Projected increase in VRS contributions:	\$418,396
Projected total cost of 1.5% bonus for all school employees:	<u>\$ - 0 -</u>
Total Projected Budget Shortfall:	(\$763,086)

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Key Session Dates

- Jan. 11 – General Assembly convenes
- Jan. 20 – Last day to file most bills.
- Feb. 5 – Senate Finance and House Appropriations must report their budgets.
- Feb. 7 – Crossover day.
- Feb. 9 – Deadline for each chamber to complete work on its budget.
- Feb. 25 – Scheduled adjournment.