



FY 2018 Recommended Budget Budget Question

Board Question #: 40

BUDGET QUESTION: If the School Board had included the \$4.3M salary and benefit items in the funded portion of its budget, what then would be the list of items not funded?

RESPONSE: The school division's FY 2018 operating budget, less debt service, is 88% salaries and benefits. Of the 88%, salaries represent 67% and benefits represent 33%. As a result, non-compensation items, which include such items as instructional supplies, professional development, utilities, and contracts, comprise 12% of the budget. Therefore, when the school division is asked if the \$4.3M salary and benefit items were in the funded portion of its budget, what then would be the list of items not funded?

If the BOS is unable to close the \$4.3 million gap, the School Board will have no choice but to consider several budget reduction options. Some of these options could include:

- Modifying or eliminating the proposed 2% pay increase for employees
- Eliminating or modifying existing programs
- Eliminating positions, which would result in increased class sizes
 - More specifically, since the division's operating budget is 88% personnel costs, a cut of \$4.3 million could equate to eliminating 60 positions. This is not a viable option for funding the FY18 remaining salary and benefit items.

In a spirit of cooperation and the fact that increases in expenditures continue to outpace the increases in school revenues, the School Board exercised due diligence in scrubbing its budget prior to presenting to the BOS on February 28. Specifically, with only \$1.6 million in net new FY18 revenues less CIP, the following actions were taken, which total \$4.4 million:

- Reallocated lapse funds of approximately \$900,000
- Reduced health care increases by \$1.7 million by renegotiating prescription drug costs, lowering the self-funded stop loss deductible, and having employees pick up 25% of the dental premium plus 5% of the medical/vision premium
- Cut individual school and department non-compensation budgets by \$1.8 million

The School Board is now requesting the remaining budget gap of \$4.3 million from the Board of Supervisors, which will be used for the following:

\$1.0 million - Health Insurance Increase- (could use one-time funds as it is projected that costs will go down)

\$0.5 million - * Portion of the VRS Increase which could potentially be reduced in FY19

\$0.9 million - Portion of the VRS Increase that is projected to remain

\$1.9 million - Remaining Portion of the 2% Employee Pay Raise

\$4.3 million - Budget Gap

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* This amount could be funded with one-time funds as this portion of the VRS rate could potentially go down per actuarial information. The projected reduction in VRS rates are drawn from actuarial projections which VRS and the General Assembly have not committed to. VRS is projected to advertise the FY19 rate in Fall 2017.

Attached is a spreadsheet that shows how the school division has resolved prior budget gaps from FY 2014 through FY 2017.

Note from County Finance staff:

This response was received from the Schools prior to the Board's action on 4/4/17 to transfer an additional \$2.4M to the Schools for FY 2018 beyond the \$0.3M included in the Recommended Budget. Following the Board's 4/4/17 budget action, the Schools' shortfall was \$1.9M. The School Board continues to discuss methods for balancing its FY 2018 Budget.

Despite the Schools' notes above concerning the use of one-time funding, County Finance staff does not recommend the use of one-time funding for the Schools' VRS or health insurance costs as these are likely on-going expenditures.

**Spotsylvania County Public Schools
Budget Reductions Implemented from FY 2014 Through FY 2017**

<p>FY 2014 Gap Closing Items</p> <p>Superintendent's Budget Gap \$8.2M</p> <p>School Board Budget Gap \$3.2M</p>	<p>Eliminated Bookkeeper/Secretary position @ JJW (1.0 FTE) Eliminated Building Administrator position @ JJW (1.0 FTE) Eliminated Coordinator of Gifted Programs position (1.0 FTE) Eliminated Coordinator of Library Services position (1.0 FTE) Eliminated Curriculum/Instruction Specialist in English/Reading positions (2.0 FTEs) Eliminated Curriculum/Instruction Specialist in Math positions (2.0 FTE) Eliminated Curriculum/Instruction Specialist in Science position (1.0 FTE) Eliminated Curriculum/Instruction Specialist in Social Studies position (1.0 FTE) Eliminated Director of Career & Technical Education position (1.0 FTE) Eliminated Head Start Office Para position (1.0 FTE) Eliminated Head Start Teacher position (1.0 FTE) Eliminated Instructional Technology Resource Teacher position (1.0 FTE) Eliminated Network Engineer position (1.0 FTE) Eliminated Supervisor of Information Systems position (1.0 FTE) Eliminated the use of GroupWise and United Streaming Eliminated Title I Teachers positions (3.0 FTEs) Eliminated Vacant Occupational Therapist positions (2.1 FTEs) Eliminated Vacant Physical Therapist position (0.8 FTE) Eliminated Vacant Psychologist Intern position (1.0 FTE) Eliminated Vacant Technology Administrative Assistant position (1.0 FTE) Eliminated Vacant Vision Teachers positions (2.0 FTEs) Reclassed Deputy Clerk of the Board to Administrative Assistant Scale Reclassed Supervisor of Data Mining from Supervisor Scale to Tech 4 Scale Reclassed Supervisor of Technology from Supervisor Scale to Tech 4 Scale Reclassed Supervisor of Title I to 10 month position Reduced 3.0 FTEs from 11 month to 10 month for the Cooperative Office Education Teachers Reduced Debt Service by revising the CIP Reduced Debt Service by use of Proffers and Interest Earned Reduced Gasoline by combining VPI and Headstart Students Adjusted Employer Health Insurance contribution rates to be equal among all plans requiring employees to "buy up" for better coverage Reduced Leave Payout Account lines VRS rate reduction for Non-Professional Group by choosing the lower Alternative Rate Removed 14.0 FTEs that were included as new positions (HS Teachers, MS Teachers, ES Teachers, ESOL)Teachers Removed the 2% COLA/ No Employee Pay Raise Made Baseline Adjustments</p>
<p>FY 2015 Gap Closing Items</p> <p>Superintendent's Budget Gap \$1.9M</p> <p>School Board Budget Gap \$1.9M</p>	<p>Reduced Non-compensation Account lines Reduced the Step and 2% COLA to a Step and 1% COLA Reclassed Accounts Payable Supervisor to Accounting Assistant VRS rate reduction for Non-Professional Group Reduced Debt Service by use of Proffers Reduced Workers Compensation Account Lines Reduced Substitute Account Lines Note: Less Gap Closing Options Due to only to a 2% Health Rate Increase</p>
<p>FY 2016 Gap Closing Items</p> <p>Superintendent's Budget Gap \$2.7M</p> <p>School Board Budget Gap \$1.3M</p>	<p>Savings for instituting Early Retirement Incentive Program Utilization of the Health Insurance Reserve Additional savings for negotiations with Health Insurance Carrier Reclassed Head Start Early Childhood Coordinator to a Bookkeeper/Secretary Reclassed Instructional Technology Resource Teacher to 2.0 FTE Instructional Technology Aides Reclassed Nurse Practitioner position from Director to Supervisor Reduced Debt Service due to monies returned by County budgeted for required improvements to Massaponax Church Road at Cedar Forest Elementary School Reduced Substitute Account Lines Eliminated SOL stipends Note: Less Gap Closing Options Due to Slight Decline in the VRS Professional Rate from FY 2015 to FY 2016 Note: Less Gap Closing Options Due to no Health Rate Increase</p>
<p>FY 2017 Gap Closing Items</p> <p>Superintendent's Budget Gap \$12.6M</p> <p>School Board Budget Gap \$12.6M</p>	<p>Reduced Non-Compensation Account lines Changed Step and 1% COLA increase to a 2% COLA increase Removed 33.0 FTE that were included as new positions (Social Worker, O/T, Speech Therapist, ITAs, MS Teachers, ID Mild Teacher, ID Mild Paras, ECSE Teacher, ECSE Removed Café Monitors that were included new in budget Eliminated reduction to bring the Athletic Fee to \$50 from \$75 Removed Stipend Increase Eliminated 4.0 Existing Teaching Positions Removed Frozen Step Scale Adjustments Reduced Leave Payout lines Reduced CIP to defer projects and utilized unobligated fund balance to lower debt service Reduced compensation line to use lapsed dollars to balance budget</p>

Note: Overall, each year, expenditure increases outpaced revenue increases. The measures listed above were necessary even after increases in revenues.

Legend:

O/T -	Occupational Therapist
ITA -	Instructional Technology Aide
ES -	Elementary School
MS -	Middle School
HS -	High School
ID -	Intellectual Disabilities
ECSE -	Early Childhood Special Education
CIP -	Capital Improvement Plan
ESOL -	English as a Second Language
SOL -	Standards of Learning
VPI -	Virginia Preschool Initiative