

Roanoke County Public Schools
Ongoing Updates on the School Budget
From the desk of Penny Hodge, Assistant Superintendent of Finance

September 10, 2009

Governor Kaine released information this week that outlines areas in K-12 funding that will be impacted by the FY09-10 State Reduction Plan. Overall, the state plan protects K-12 funding in the current year but has significant impacts on the budget for FY2010-11. The primary areas related to our school funding include the following:

1. The state is reducing the sales tax revenue projection which may result in a loss of revenue to RCPS (net of a partial offsetting increase in basic aid). The amount of the reduction estimate will be reflected on the locality specific information when it is released by DOE later this week.
2. The Governor is reassigning "one-time" revenues to cover losses in current year general fund revenues. The state will be using funds from the literary loan fund (no impact on RCPS now as we do not have any current literary loan applications pending) and the stimulus State Fiscal Stabilization Funds (SFSF) to balance the budget in the current year. For RCPS, it means that the SFSF funding that we used to pay 81 employees this year will not be fully recurring for FY10-11 as had been previously anticipated. This reassignment will contribute to our budget struggles as we develop the 2010-11 budget.
3. Finally, the Governor is authorizing a "VRS premium holiday" for the 4th quarter premium payments to VRS. This will result in expenditure savings in April - June that will be partially offset by a reduction in state SOQ revenue for retirement. It is a one-time fix to cover the state revenue shortfall this year. This one-time savings to the school systems decreases contributions to the retirement trust, which ultimately will lead to higher contribution rates in the following year.

As in the past, the state will likely reforecast state revenues before the Governor releases his budget in December and then again in early 2010 when the General Assembly begins work on the state budget. Further adjustments in state revenues could be made based on those revenue projections. We will continue to identify and implement cost-saving measures and frugal spending as a means of focusing the available resources on classroom instruction.

August 20, 2009

Welcome back to the 2009-10 school year. Hopefully, you have had a productive and relaxing summer and are ready for the challenges of a new school year. You will be seeing new faces in your buildings (staff and students) and new construction underway at Cave Spring Elementary, Green Valley Elementary, Mount Pleasant Elementary and William Byrd High. The construction bids for the four schools were competitive and actually came in under budget by over \$10 million. It is nice to have a bit of good news to share during these tough economic times. Because of the lower bids, the School Board will have an opportunity to fund the construction of the new Mason's Cove Elementary with the bond funds that were borrowed last spring rather than borrow additional bonds in the Fall as had been previously planned. In so doing, we are able to save future principal and interest payments that can be focused on other school needs in future budgets which as you will see below will be critical.

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As of Wednesday of this week, the verdict is in from Governor Kaine and the news is not good. The nation has been in recession for 21 months, this is 5 months longer than any recession since the 1930's. Virginia's economy has followed national trends with significant impacts on the state budget. The state ended the 2008-09 budget year with a revenue shortfall of \$300 million. The revised revenue projections for 2009-10 indicate that Virginia will have a revenue shortfall of \$1.2 billion this year for a combined shortage of revenues of \$1.5 BILLION. That is a huge number by anyone's standards. By early September, the Governor will implement spending reduction plans to cut up to 15% of state budgets. This will impact funding to Roanoke County Schools but we will not know the full extent of the cuts until after the Governor prepares his plan and the Department of Education allocates the cuts to the 132 school divisions in Virginia – this is expected in the latter part of September.

Once again, we will be encouraged to close this budget gap by reducing expenses, targeting withdrawal of reserve funds, purposeful use of stimulus funding, and any other reasonable strategies. In anticipation of bad news from the state, central office staff has worked this summer to identify and reserve 5% of our state revenues in the event that state cuts might be necessary. The good news is that all employee positions that opened up this summer have been creatively staffed using retiree days under the early retirement program, central office staff, and other school staff to avoid hiring a new employee and to reduce costs. We have assigned 9 retirees to vacant positions since July 1st rather than hiring new employees. The bad news is that the magnitude of the state cuts is more than likely larger than 5% of our state revenues and more cuts will need to be identified.

This will not be painless or invisible to our staff, students, or parents. It will require the entire "village" to make good things happen in difficult and challenging times. The Governor offered up the tenet that as public servants in Virginia, "we make people happy when times are good and earn our pay when times are tough." Now more than ever before in our careers, times are tough and there are no easy choices.

As more information becomes available from the state on the spending cuts, we will share that with all employees. In the meantime, your Principals are also working on plans to reduce spending at your school so that whatever funds that are available at the school level can be targeted for the best and greatest need – for students and instruction. Your participation and leadership in working in your own school to focus limited funding on the most important things is valued and necessary.

On a brighter note, the federal stimulus money has been slowly making its way to us through the federal and state approval process. We are using \$3.8 million in state fiscal stabilization funds (SFSF) to pay for 81 of our teachers this year. Without this stimulus funding, these positions would have been unfunded and layoffs would have been inevitable. We expect to have this funding for one more year. The state has also approved the award of \$1.1 million in SFSF funding for the school modernization projects that we submitted including a school roof, HVAC upgrades, and smoke detection systems. Without the stimulus funding, these projects would also go unfunded leading to higher operating and repair costs. As a reminder, staff has been diligently working this summer to spend the specifically designated funds for disadvantaged students (Title I) and special education (IDEA) and you will see those purchases in your

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schools when you return. Please keep in mind that those funds are mandated for those programs (no exceptions) so all efforts are being made to shore up those programs in ways that provide immediate impact and long term investment for students. It is our gift horse despite the fact that it appears in such contrast to the significant budget cuts we must make in our operating fund due to the state revenue shortfalls. If you see purchases and wonder where the money came from, feel free to ask your Principal or Central Office staff so that we can avoid misunderstandings that can easily occur as we balance the requirement to spend (stimulus money) and the requirement to save (state budget cuts).

As always, stay tuned.

June 30, 2009 (Later the same day!)

As of this afternoon, Governor Kaine has directed state agencies to prepare plans to reduce their 2009-10 budget (this budget starts tomorrow) by 5%, 10%, and 15%. The following statement was released today:

It is important to remember that the extent of the revenue decline is not known. The five, ten, and 15 percent budget reduction plans will allow us to develop options for matching agency budget reductions to the level needed to meet the final revenue estimates. This approach will provide a range of strategies for each agency up to the maximum reduction.

I know this is not the kind of news that you were hoping to receive about the budget. Over the last two years, you worked through the difficult process of reducing spending to address substantial revenue declines. As we start this next round of cuts, it is clear that the choices will be even more difficult.

As you prepare your reduction plans, I ask that you once again conduct a comprehensive review of all options, looking in particular at areas where our costs outstrip national norms. We will also need to take a close look at current state policies that might lead to higher costs. As in past reduction efforts, it is important to focus on targeted cuts rather than across-the-board reductions. We will continue to do all we can to protect core services, but the need for tough decisions will require examination of all areas of state spending.

We must call upon our most experienced and creative efforts to develop ideas for ways that we can achieve savings through efficiencies and new approaches that deliver services at lower costs. Do not be afraid to challenge traditional concepts and practices.

*Wayne Turnage, Chief of Staff
June 30, 2009*

This is a strong stance for the state to be taking and one that quickly gets our attention. As you might expect, this is a significant charge to plan for budget cuts not only in the next budget cycle but in the budget that begins tomorrow. We will be working throughout the summer to evaluate all areas of our budget and identify the necessary reduction plans in preparation for whatever financial condition we must face in the year ahead.

June 30, 2009

The School Board met in a work session last week to discuss a number of school projects and programs including the allocation of federal stimulus funds to school

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modernization projects. The school budget for 2009-10 includes \$1,132,200 designated for school modernization projects and \$3,826,955 earmarked to fund the operating fund (primarily salaries and benefits for employees). The School Board approved the following projects to be funded with the school modernization stimulus money:

- \$587,200 for centralized smoke detection systems that will directly connect with emergency fire services at Cave Spring High, Cave Spring Middle, Glenvar High, Hidden Valley Middle, Northside Middle, and William Byrd Middle. These systems will provide protection of school property from fire damages that could occur after normal school hours and go undetected.
- \$320,000 for replacement of 100 water source heat pumps at Hidden Valley Middle and installation of cooling towers at William Byrd Middle and Northside Middle. These are the most pressing HVAC needs in the school system.
- \$225,000 for replacement of the roof at Hidden Valley Middle which is the most pressing roofing need in the school system.

In addition, the School Board allocated \$230,000 from the Minor Capital Reserve balance (unspent from last year and earmarked for capital) to replace the HVAC chillers at Glenvar High and William Byrd Middle. The systems at these two schools were the next most pressing needs for HVAC upgrades in the district. Although budgetary constraints remain, the ability to use the available stimulus funding for these critical building needs will go a long way to minimize ongoing repair costs and inefficient operating systems that would otherwise result in yet additional budgetary costs.

The School Board also discussed briefly the status of the state budget for both 2009-10 (which starts tomorrow – July 1) and the next budget year (2010-11) and the bleak news coming from Richmond in terms of revenue collections and the likelihood that the school budget would be impacted significantly with budget shortfalls for the next several years. In preparation for further budget cuts that will be needed in the 2010-11 budget, the School Board recommended not filling two positions in the Maintenance Department that were recently vacated. The duties will be handled within the department and outside services will be contracted as needed to address urgent requests. This practice will help to avoid hiring positions that could by necessity be eliminated in the next budget. It is not ideal and will not be painless – either to the Maintenance department or to those out in the schools who may see a delay in addressing maintenance requests but it does symbolize the ripple effect of budget cuts and how they impact others throughout the system.

June 22, 2009

It has been nearly three months since the School Board adopted the budget for the 2009-10 school year. Based on the positive feedback received throughout the budget process from employees who appreciated having online access to the story behind the budget, I will continue to provide ongoing updates on the status of the 2009-10 budget as well as the work that is beginning already on the 2010-11 budget.

Although there are some signs that the deterioration of the nation's economic performance may be abating, the state budget picture appears to be more alarming. Last week, the House Appropriations Committee opened its meeting with a state revenue update by Secretary of Finance Rick Brown. Revenue for May 2009 was down 15.6% versus May 2008. Year-to-date the revenue collections are down by 9.3% versus the budget projection of a 7.3% decline. Sales taxes are down 5.1% versus a projection

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of a 3.7% decline. The overall 2% variance of actual collections below projections through May 31 means a potential shortfall of as much as \$300 million for the state in the current year (2008-09).

The Governor has ordered a reforecast of revenue for the 2009-10 budget to be completed by the August 19 joint money committees meeting and the state is working on budget reduction instructions that will be released to agencies later this month. Please note -- budget reduction plans are already being developed by the state for the budget year that will not even start until next week!

Secretary Brown tried to point out some small economic "bright spots" including the declining rate of job losses nationally - the loss of jobs in May at about 345,000 was about half of the average of monthly job losses over the previous 6 months. Closer to home, issuance of building permits was up slightly in Virginia in April.

So, what are we doing to prepare for ongoing budget challenges knowing that the state finances remain bleak? We have already begun to review budget reduction options or ways to save money in the next budget. We will also be evaluating our revenues and spending on a monthly basis all year with an eye towards spending wisely and frugally in light of the potential that the state could reduce state aid to schools mid-year. This is a real possibility and has happened before.

We have also prepared simplistic budget forecasts for the next three years taking into account revenue shortfalls from flat or declining state and local funding as well as expected increases for VRS retirement premiums (the market losses will impact our rates for the next 5 years), health insurance, fuel/utilities, and salaries. To recap, we are looking at potential budget deficits of the following:

FY09-10	\$5.3 million cut from budget	Used \$3.7 million in federal stimulus money
FY10-11	\$6.7 million projected deficit	
FY11-12	\$14.7 million projected deficit	No more federal stimulus
FY12-13	\$18.8 million projected deficit	

The latest news out of Richmond is not optimistic but the economists have been saying for months that economic recovery will be slow and extend well into the next several years. We are planning accordingly. The next state revenue forecast is scheduled to be released on August 19th and should provide more telling information as the General Assembly starts into the next budget session.

On a more positive note, the federal stimulus money that is required to be spent for special education and Title I students has been awarded and you will see signs of that spending in your buildings. Again, remember that this is money that must be spent within strict guidelines and cannot be used to help balance our expected budget shortfalls. This may appear to be exactly the opposite of what our employees are hearing us say about not spending, so please keep this in mind when you see new materials, equipment, or services in your building and feel free to ask if they were funded with stimulus funds.

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For anyone interested, there is a more extensive explanation of the stimulus funds at the following link (<http://www.rcs.k12.va.us/budget/documents/ARRABlogforwebsite.pdf>).

Stay tuned and spend wisely.