

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

May 16, 2012

The School Board is meeting this evening to amend the 2012-13 school budget, review the technology direction for the school system, and discuss and/or take action on several capital projects.

The budget is scheduled to be amended to authorize the same salary increase for all full-time contracted employees (related to the new mandatory 5% payroll deduction for VRS eligible employees beginning in July 2012). The original budget provided funding only for the employees who were not paying the 5% contribution currently as required by the General Assembly. However, the School Board has since decided that they wanted to include those employees that began paying the 5% contribution last year (July 2011). If you began work at Roanoke County Schools after July 1, 2010 and are currently paying the 5% VRS contribution, your contract for 2012-13 will include the 5.75% VRS salary increase as well as the 3% cost of living increase. In this way, all VRS eligible employees will receive the same VRS salary increase. By doing this, there will be no need for two separate teacher scales for 2012-13. The proposed salary scales will also be presented tonight for approval. The additional cost of this amendment will be paid for with funds in the School Health Reserve.

In addition, the School Board will discuss laptop models and buy versus lease strategies tonight in preparation for the annual purchase of a grade level of laptops for next year. The second year of the Technology Assessment Plan developed last year has been funded by the School Board in their adopted budget.

Finally, the School Board will discuss a number of capital projects pending for the School system including renovation of Glenvar High School, field houses at the high schools, air conditioning of gyms, Burlington parking lot, bus cameras, roof replacements, and surplus of vacated school buildings. The meeting is open to the public.

April 26, 2012

It is my pleasure to inform you that we have a 2012-13 school budget! The School Board voted this evening to approve the Superintendent's recommended budget revisions for next year. The approved budget includes level funding from the Board of Supervisors and a temporary departure from the use of the longstanding revenue sharing formula. It also includes additional state aid from the General Assembly finally approved on April 17th.

Changes to employee salaries in the 2012-13 School Budget include the following:

- 3% cost of living salary increase for full-time contracted employees
- 5.75% VRS salary offset for VRS Plan 1 employees who have not been paying the 5% employee share of VRS. All Plan 1 employees will begin paying the 5% VRS contribution effective July 2012. This change has been mandated by the General Assembly. The additional 0.75% increase is intended to offset the employee's additional social security matching taxes and employee VRS premiums on the 5% salary offset and hold the employee harmless from a reduction in their net pay check.

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The largest impact on the school budget is the increase in the VRS rates for retirement, life insurance, and the retiree health insurance credit. Those increases alone will cost the School Board \$4.8 million more in the 2012-13 budget than this year.

Budget cuts presented at the March 27, 2012 board meeting will remain in place for the most part including the following:

- Reduction in personnel baseline budget from past hiring freezes and 9% reduction in work force (approximately 220 employees lower than 3 years ago)
- Reduction in fuel and utility surplus budgets
- Elimination of employee positions due to retirements
- Redirection of technology purchases to other funding sources (state grant, year-end balance, or minor capital)
- Reductions in departmental operating budget lines
- Reduction in purchase of library books, magazines, and supplies
- Elimination of annual purchase of support vehicles
- Reorganization of administrative positions at Glenvar High and Glenvar Middle (due to vacancy in position)
- Reduction in Superintendent's contingency
- Reorganization of summer school program to ensure that it is self-sustaining
- Reduction in travel budgets
- Reduction in paid football coaches and post-season supplements
- Reduction in allocation for textbooks
- Reduction in allocation for new school buses

The budget cuts are partially offset by other revenue sources including:

- Increase in state funding of \$905,662
- Level funding of the local appropriation from the County Board of Supervisors
- Decrease in other revenues of \$173,080
- Increase in federal revenues of \$44,935 from a supplemental stimulus allocation
- Allocation of \$1,000,000 from health reserves
- Student parking fees remitted to the School Board

Without the sometimes painful budget cuts presented on March 27th and again tonight, it would not have been possible to cover the increases in the VRS premiums let alone the salary increases included in the adopted budget. The School Board worked diligently to make the best decisions possible within severe budget constraints this year without laying off full-time contracted employees or closing schools. The availability of reserve balances provided funding opportunities that would otherwise have required even more significant budget cuts such as these.

Due to the 5 week delay in the General Assembly adopting a state budget, the school budget and the employee contracts are similarly delayed. With the adoption of the salary increases noted above, the salary scales can now be developed for the teacher scale. Due to the General Assembly mandated change to VRS requiring all Plan 1 employees (hired before 7/1/10) begin paying the 5% employee contribution to VRS, there will be two separate teacher scales. The School Board expressed their interest this evening to convert to a range scale for teachers in the 2013-14 school year after we have time to develop a plan for the conversion and communication of the scale. All

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other school scales are already ranges with the exception of the teacher scale. Due to the lateness in the contract process and the programming complexities involved, this cannot be done for the 2012-13 school year contracts.

All in all, it has been a painful and confusing budget cycle for many this year with our leaders having this to say about it:

"I'm pleased with this budget and I'm very thankful for the continued support of the Roanoke County Board of Supervisors," said Roanoke County School Board Chairman Fuzzy Minnix. "I'm pleased we were able to give our employees a well-deserved raise, we were able to avoid layoffs of full-time contracted employees and we did not need to close any schools. This has been a difficult, frustrating year. A great deal of work has gone into this budget." said Minnix.

"This is a good budget. Fortunately, we were able to receive additional funding from the state that helped us afford raises. We are still making some painful cuts, though, and we will still maintain a hiring freeze," said Roanoke County Public Schools Superintendent Dr. Lorraine Lange.

We will keep you posted on the status of employee contracts and will get those out to our employees as soon as we can.

My best to each of you as you finish out the school year,

Penny

April 25, 2012

As slow as the budget process has been this year, it is hard to believe it has already been nearly a month since the budget blog was updated and it is equally hard to believe that we are still working on budget. If you have been following the budget antics in Richmond over the past several weeks, you know that the House and Senate finally reached a compromise and adopted a state budget last week. The School Board will revisit the school budget at their meeting on Thursday, April 26th, at 7 pm. Revisions to the earlier budget will be presented to include an increase in state funding from the compromise state budget. The School Board meetings are open to the public and your presence is always welcome. The School Board may vote on changes to the original budget at this meeting or they may instead schedule another meeting date depending on the need for any additional information to make good decisions. Please stay tuned for more details to come after the meeting.

Also, you should be receiving Open Enrollment packets in your school within the next few days. You will need to complete the forms if any of the following apply:

- You are currently enrolled in the group health or dental insurance plans and want to make a change in your coverage level or family members to be covered.
- You are not enrolled in the group health or dental insurance plans and want to enroll.

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- You want to participate in the Flexible Benefits plan for the 2012-13 year. This is an annual election and allows you to pay for your out-of-pocket medical expenses (not covered by insurance) and/or dependent care expenses with pre-tax dollars during the year. For the first time, you will also have the option to request a debit card if you elect to enroll in the medical expense portion of the Flexible Benefits plan.

The contract process will begin as soon as the School Board adopts the necessary budget revisions and makes final decisions on the implementation of the VRS changes approved by the General Assembly. Salary scales will be presented to the School Board for consideration in May.

There has been a good deal of uncertainty, change, and confusion this year but there is a light at the end of the tunnel and the budget is progressing. Another update will be posted soon with updates on the School Board presentation tomorrow night.

March 29, 2012

Let's start with the good news this week! On Tuesday evening, the School Board approved the renewal of the group health and dental insurance plans for school employees for the 2012-13 year with **NO INCREASE** in premiums. The school system is self-insured for health insurance so we pay for all employee medical bills out of school funds and pay administrative fees for Anthem to administer the plan for us. Actual claims for the year were 6.8% higher this year with more large claims than previous years but the following changes to our plan will enable us to keep the rates the same for next year:

- Implementing a \$200 single/\$400 family calendar year deductible. Co-pays for doctor visits and prescriptions will remain the same but the deductible will apply to your first \$200/\$400 of other medical claims including lab work, Emergency Room visits, surgeries, etc. The current deductibles for Emergency Room visits, outpatient surgery, and hospitalizations will go away and be replaced by this annual calendar year deductible.
- Eliminating the aggregate stop loss reinsurance and rate margin for the year. This will limit the growth of the health reserve which is sufficiently funded at this time.
- Reduction in Anthem administrative fees negotiated by our insurance consultant.
- Addition of autism spectrum disorder services for children aged 2-6. Although this is not a mandated service in self-insured health plans, the School Board supported adding these services to the school plan.
- Use of existing health reserves to subsidize the remainder of the projected increase in claims for 2012-13.

Although the School Board and staff have been evaluating the option of adding an alternative high deductible health plan for employees, these plans are tied to IRS regulated health spending accounts which allow employees to assume more risk for their health care but also gain tax savings. Due to the complexity of these plans, the School Board opted to defer this to a future year. The School Board also requested a work session on introducing a reduced rate for non-smoking employees participating in the school health insurance plan. The School Board has offered a smoking cessation plan to employees for the past two years at no cost to the employees. If you have an interest

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in this plan and have not yet participated, please contact LaVern Davis at 562-3900 Ext 10241.

Now, back to the budget process! First the good news...the House and Senate are back in session and have each approved their own budgets this week and the budget conferees are now hammering out the differences. What does that mean for us? Hopefully, the conferees will be ready to submit a reconciled budget for approval by the House and Senate in the very near future albeit 3 weeks behind schedule. There are some very significant differences to be worked out; mainly involving VRS rates for schools and localities, so local boards are struggling with adopting budgets without answers.

In the meantime, the School Board approved a "preliminary budget" at their meeting this week which has been submitted to the Board of Supervisors in compliance with the April 1 state deadline. This is not the final budget by any means since it is based on guesstimates of state and local revenues and does not include the recently approved legislation for all school employees to pay the employee share of the VRS premiums. Those bills are on the Governor's desk to sign but are also in conflict with some of the language in the House and Senate budgets so we must wait to see how it is reconciled in Richmond.

A copy of the "preliminary budget" (AKA Executive Summary) is available on the Finance web site. The budget cuts that were used to balance this budget are outlined in a separate worksheet at the same location on our web site. At this point, the budget includes a 2% salary increase for contracted employees and does not include any school closings or layoffs of full time contracted employees. However, it is important to realize that the budget deficit may be much larger than what we have balanced to so far depending upon the final budget from Richmond and the amount that the County Board of Supervisors votes to reduce the school transfer (this preliminary budget does not include a reduction in the school transfer from the County government). With all that being said, the "preliminary budget" is subject to change and will be amended hopefully sooner than later. In the meantime, the salary scale development and the employee contract process cannot begin until the School Board has enough information to make final budget decisions. Thanks for your patience with the masses of information circulating regarding the budget in Richmond which is impacting our local ability to develop a working budget for our school system. The wheels are moving once again so we will hopefully have more answers soon.

March 23, 2012

Not much has happened in the 9 days since the last post other than the General Assembly has reconvened or at least some portion of the legislators are back at work in Richmond. It appears that earlier today the Senate Finance Committee (SFC) approved a budget that is expected to be very similar to the version that did not pass the full Senate. The key difference this time is that it passed the SFC unanimously and not along party lines so it is reasonable to expect it will pass the full Senate when it is presented on Monday, March 26. At that point, it will likely be rejected by the House and will then move to the Compromise Committee which is what we want to happen so that the budget can progress forward.

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What does this mean to us in terms of submitting a budget to the Board of Supervisors by the legal deadline of April 1? The BOS is expecting to receive an adopted budget from the School Board by the legal deadline but they also realize that it will be a preliminary budget and it will need to be amended again after the General Assembly approves a budget in the coming weeks. With that being the case, we will present the Superintendent's Proposed Budget as discussed at the March 6th budget work session for discussion and approval at the regular School Board meeting on March 27. This budget does not include the impact of requiring all employees to pay the 5% employee share of VRS or the required offsetting 5% raise. Those terms are in conflict with the standing House budget and when those terms are reconciled in Richmond, we will amend our budget accordingly. The board report with more details will be available in Board Docs on Monday if you are interested in reading more about this preliminary budget. The following link should take you to the web site (<http://www.boarddocs.com/vsba/roecnty/Board.nsf/Public>) or you can access it directly from the Roanoke County Schools web site.

The School Board is also expected to review and approve the renewal of the health and dental insurance plans at the March 27 board meeting so that Open Enrollment packets can be prepared and distributed to employees in April for health insurance, dental insurance, and flexible benefits spending plans. The related board reports are also available in Board Docs if you are interested in further details.

The theme continues – patience, flexibility, and adaptability are the name of the game this year. Stay tuned...

March 14, 2012

The School Board has decided to meet in work session tonight based on the newest information coming out of Richmond regarding VRS and the budget implications. The General Assembly adjourned on Saturday night without adopting a state budget. However, before they left, they did vote on sweeping changes to the VRS retirement plan that will impact school employees. Both the House and Senate adopted bills that will require full-time school and local government employees to begin contributing towards the VRS retirement plan effective July 1, 2012. They also mandated that school boards will have to provide a salary increase of up to 5% to offset the portion of the VRS deduction that is passed on to employees. The School Board will discuss the implications of these changes tonight along with the time table for presenting an adopted budget to the Board of Supervisors. More information to follow...

March 6, 2012

The School Board met this evening for a scheduled budget work session. Although the General Assembly in Richmond has come to a grinding standstill, there is still much to be done at the School Board level to prepare for the looming budget deadlines. The School Board reviewed the following items during their work session:

- **Enrollment projections** – The County is experiencing declining enrollment for the 4th year in a row. The graduating classes of over 1100 students are being replaced with incoming kindergarten classes that are less than 1000 students.
- **State revenue projections** – The House of Delegates approved a budget that reflected a slight increase in revenues for schools and a reduction in the

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- mandatory VRS premium. However, that budget bill has since been voted down by the Senate. The Senate has not approved a budget bill at this time. The General Assembly is slated to adjourn this Saturday. If they have not adopted a budget by that time, there will have to be a reconvened session at a later date. Without an adopted budget, school systems will be unable to adopt their own budgets and the preparation of employee contracts will be delayed.
- **New stimulus revenue** – The County has been awarded a supplemental federal Education Jobs Fund grant of \$44,935 which will be included in the proposed budget. This money must be used for school level salaries.
 - **Health insurance renewal** – The Anthem health plan renewal is underway. Claims increased by 11% this year with 8 claims over \$200,000 which is higher than normal. The proposed health plan for next year will include autism benefits for ages 2-6 (not mandated for self-insured plans), a \$200 up front deductible (wrapped around current \$20/\$40 co-pays), and eliminate the aggregate stop loss limit. With these changes, the rate increase is expected to be in the lower single digits. The School Board has expressed an interest in covering the health rate increase with health insurance reserves again next year.
 - **VRS rate increases** – The Governor’s budget proposal increased the VRS rates for retirement, life insurance, and the retiree health credit significantly. The House budget reduced the retirement rate somewhat but again, that budget has not been approved by the Senate. Both the House and the Senate have included legislation that would either “allow or mandate” a School Board to pass along the 5% employee VRS contribution to all employees next year. Until the General Assembly adopts a state budget, we will not know the outcome of this legislation.
 - **Technology Plan Year 2** – The School Board adopted a technology replacement plan last year that was the first major technology refresh program implemented in the school system. The Year 2 plan continues the replacement program with \$731,100 of the cost deemed “Essential to Function” as it would serve to maintain the current servers, wireless connections, email, and warranties. The additional cost of \$2.4 million would continue to replace laptops for students and teachers, computer labs, and library computers that will be out of warranty next year.
 - **Budget reduction options** – The list of items that have been evaluated and considered as potential budget cuts to balance the budget was reviewed. The list is separated into items that are included in the Superintendent’s Recommended Budget followed by groupings that are prioritized. The final budget actions taken in Richmond and by the Board of Supervisors will determine how many items on the list will need to be included in the final budget.
 - **Superintendent’s Recommended Budget** – The Superintendent presented a recommended budget based on the School Board’s request for a budget that was level funded by the Board of Supervisors (the Board of Supervisors have stated an intention to reduce the school transfer by up to \$2.6 million). This budget includes the state revenues proposed by the Governor as that budget appears to be the lowest (most conservative) of the different budgets that have been considered in Richmond. This budget proposal **does not** include school closings or layoffs of full-time contracted employees at this point. It moves the technology plan purchases out of the operating budget and into the minor capital or year-end balance funding sources in order to free up operating money to offset

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some of the increase in VRS rates. This budget continues the hiring freeze and several positions that are being voluntarily vacated through resignation or retirement will not be filled next year in order to balance the budget. The budget cuts that are recommended to balance to a level funded transfer from the County include the following:

Reduce paid football coaches from 5 per school to 4 per school	13,870
Eliminate post-season coaching supplements (region/state competitions)	20,000
Eliminate 25% of travel budget	30,000
Freeze participation in deferred comp match of \$120 per year	41,436
Eliminate summer school in excess of required and/or funded	42,972
Student parking fees remitted to School Board	50,000
Eliminate middle school SAP staffing through attrition	56,658
Reorganize Construction Office	56,889
Eliminate Central Office positions through retirement	95,568
Reduce Superintendent's contingency	100,000
Reorganize admin/resource staffing for GHS and GMS through attrition	132,207
Eliminate annual support vehicle purchases	135,000
Reduce annual purchase of library books, supplies, magazines, newspapers	156,952
Reorganize HS testing positions thru reassignment	243,200
Targeted departmental budget cuts	304,196
Reorganize MS instructional coaches thru reassignment and grant funding	306,389
Reduce operating transfer for grant/café funded health insurance	537,940
EEWP savings from retirees as of 3/1/12	543,169
Use state technology grant funding for technology plan	726,000
Reduce utilities and fuel baseline budgets	750,000
Reduce personnel baseline budget	3,000,000
Budget Reduction Options Recommended by Superintendent	7,342,446

- **Other fund budgets** – The School Board reviewed the proposed budget for the School Nutrition Fund (which will include a 10 cent increase in student and adult lunch prices as mandated by the federal government), the Capital Fund, and the Debt Fund.

The budget work session scheduled for March 13 has been cancelled since final state budget information is not expected within the next 7 days. The School Board is tentatively planning to meet in joint session with the Board of Supervisors on March 15 if their schedule permits. A formal budget work session will be advertised if that meeting can be finalized.

February 13, 2012

The School Board conducted a budget work session on February 8 and reviewed a list of 54 potential budget cuts which is outlined below. The Board discussed the fact that there is no new state revenue expected and that the Board of Supervisors have indicated that they will be cutting the school transfer by \$1.1 million to \$2.6 million for

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next year. With this revenue information and the expected increase in the VRS retirement and life insurance premiums, we are expecting a budget deficit of as much as \$12.5 million.

The Board discussed the funding needed to maintain the existing technology needs as well as the possibility of reducing the technology program for next year (including the high school laptop program). They also discussed the possibility of changing the early retirement work program for future years. This item was added to the agenda for the regular meeting scheduled for February 9. At that time, the Board voted to increase the number of days required under the early retirement work plan effective with retirements approved after July 1, 2012. A separate email has been sent out by the Personnel Office with the specifics for this plan as well as the extension in the deadline to March 9, 2012 for employees who wish to apply for early retirement effective this year with no change in the plan.

The House and Senate will be releasing their individual state budgets by the third week of February. At that time, we will be able to see if the VRS rates are going to stay as high as the Governor proposed as well as if there is any move to increase state funding for public education. The next budget work session is scheduled to be held on March 6 at 6:00pm at the School Board Offices.

The Budget Reduction List released last week is as follows:

Budget Reduction Options for FY12-13 (in alphabetical order)

- 1 1 day furlough for 200 day employees
- 2 1 day furlough for 201-240 day employees
- 3 1 day furlough for 260 day employees
- 4 1 day reduction in EEWP contracts
- 5 Close school buildings (Back Creek, Clearbrook, Ft Lewis, Mason's Cove, Mt Pleasant)
- 6 Combine admin/resource staffing for GHS and GMS through attrition
- 7 Combine Athletic Dir position with existing Asst Prin at high schools per SOQ (5 FTE's)
- 8 Early retirement plan modifications (savings in future years)
- 9 EEWP savings from retirees as of June 30, 2012
- 10 Eliminate 25% of travel budget
- 11 Eliminate academic supplements (dept chairs, drama, yearbook, etc)
- 12 Eliminate AFJROTC program per Air Force request (net of revenue)
- 13 Eliminate annual band instruments budget
- 14 Eliminate Asst Principal at high & middle schools in excess of SOQ (10 FTE's)
- 15 Eliminate Career Center Instructional Assistant position
- 16 Eliminate Central Office positions through retirement (1.20 FTE's)

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- 17 Eliminate Community Relations position (1.0 FTE)
- 18 Eliminate coordinators for Art, Music, Health & PE, and World Language (3.8 FTE's)
- 19 Eliminate elementary assistant principals in excess of SOQ (9 FTE's)
- 20 Eliminate funding for Governors School students (12 new freshman slots)
- 21 Eliminate guidance positions in excess of SOQ (6 FTE's)
- 22 Eliminate high school athletics (allotments, coaches incl ext contracts)
- 23 Eliminate high school SAP program through attrition (5 FTE's)
- 24 Eliminate local funds for textbooks
- 25 Eliminate middle school athletics (coaching supplements)
- 26 Eliminate middle school SAP program through attrition (3 FTE's)
- 27 Eliminate participation in Governors School
- 28 Eliminate post-season coaching supplements (region/state competitions)
- 29 Eliminate professional development for athletic trainers
- 30 Eliminate purchase of 10 buses and support vehicles
- 31 Eliminate Specialty Centers at BCAT and WBHS
- 32 Eliminate summer school in excess of required and/or funded
- 33 Eliminate/modify 9th grade laptop program
- 34 Freeze participation in deferred comp match of \$120 per year (337 employees)
- 35 HS Asst Principals and AD's teach 2 periods per day
- 36 Increase class sizes (other than through hiring freeze)
- 37 Non-resident material fee currently kept by individual school
- 38 Pay-to-play athletic fees - high schools
- 39 Pay-to-play athletic fees - middle schools
- 40 Reduce annual purchase of library books, supplies, magazines, newspapers
- 41 Reduce Asst Principals at high & middle schools from 260 to 230 days
- 42 Reduce Construction Office support (attrition or layoff determines savings)
- 43 Reduce extended contracts by half for days added over 200 day teaching contract
- 44 Reduce paid football coaches from 5 per school to 4 per school
- 45 Reduce school calendar
- 46 Reduce staff development/in-services for schools by 50%
- 47 Reduce Superintendent's contingency
- 48 Reduce support to School Board (attrition or layoff determines savings)
- 49 Reduce/eliminate CTE equipment budgets
- 50 Reduce/eliminate tuition assistance
- 51 Reorganize HS testing positions/MS instructional coaches thru reassignment(10 FTE's)
- 52 Salary reduction for all employees
- 53 Student parking fees remitted to School Board
- 54 Targeted departmental cuts (3% plus utilities, fuel)

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February 7, 2012

The School Board will meet for a Budget Work Session tomorrow night at 6:00pm at the School Board Offices. The meeting agenda includes the following items:

- Superintendent Comments
- County Transfer Update
- Budget Reduction Options
- Standards of Quality and Staffing Standards
- Technology Plan Discussion
- Classified Pool Discussion
- Revision to Early Retirement Plan
- Discussion of Probationary Teacher Status

The School Board will be discussing a list of budget reduction options that may be considered in addressing the budget shortfall this year. The list includes items identified over the previous three years as well as additions suggested by various sources this year. This work session is expected to be centered on discussion of the various options and related impacts in preparation for the more difficult decision-making that will happen in early to mid-March when the revenue numbers from the state and the County are firmed up.

February 2, 2012

The School Board met in joint session last night with the County Board of Supervisors. They heard a presentation from our insurance consultant on high deductible health insurance plans with health savings accounts. This is a lower cost (and lower coverage) option that staff has been evaluating for the past six months with the hopes of offering a second choice to employees for health insurance. This type of plan is far more complex than the typical plan that we offer today because it is partnered with tax advantaged health savings accounts that are governed by the IRS. There was consensus from both boards that this type of plan, which may be of interest or benefit to some employees, will require an extended educational effort on our part so that employees understand the new plan sufficiently to evaluate their own personal health needs when they make a choice. Both boards agreed that another work session is needed with more specific examples of how medical expenses are covered under the current plan as compared to the proposed high deductible plan and that implementation is not feasible for July 2012.

Staff from the County and the School Board reviewed the current information on the 2012-13 budget with the boards. The County Board of Supervisors informed the School Board that they will be reducing the transfer to Schools by \$1.1 million to \$2.6 million next year (based on the information they have today) in order to balance the County budget. The School budget deficit is \$9.8 million plus the \$1.1 million to \$2.6 million cut from the County transfer. There is no new revenue coming from Richmond or the federal government to schools to offset this deficit. The focus this year will have to be on finding ways to reduce other expenditures in the budget.

In preparation for the difficult decisions that will be necessary to balance a budget deficit of this magnitude, the School Board reinstated the hiring freeze yesterday that had been relaxed earlier this year. In addition, the School Board has scheduled a budget work session for next Wednesday, February 8th, at 6:00pm in the Board Room to review a list

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of budget reductions that they will be required to consider as they look to balance the school budget. In the past three years, the School Board has made cuts of nearly \$12 million in expenditures in order to offset \$15 million in state revenue cuts to our schools and has reduced our workforce by 217 employees (9%). As in those years, “everything remains on the table” with many difficult options to be discussed in the coming meetings as the School Board looks for the best ways to cover the deficit while doing all they can to preserve a high quality learning environment for our students and staff.

On a more positive note, the School Board reiterated their desire to make every effort to include an employee raise in the 2012-13 budget and this cost is included in the deficit balance that they will be looking for ways to offset during the budget process.

February 1, 2012

The School Board and County Board of Supervisors will be meeting in joint session tonight at 6:00 pm at the County Administration Building. Discussion about an optional health insurance plan using high deductibles and health savings accounts as well as the 2012-13 Budget will be discussed. The calendar email update that was released this morning included the wrong location for the meeting so if you plan to attend, please take note that the meeting is at the County Offices, not at the School Administration building.

January 27, 2012

A budget overview was presented to the School Board at their regular meeting last night that highlighted the challenges facing the school system with the FY12-13 budget. A copy is available on our web site (<http://www.rcs.k12.va.us/budget/default.shtml>). Other than an adjustment released last Friday by the Governor to correct an error in his first budget release, there is little change in the budget information outlined in the January 15 blog update. You may find the article in today's paper of interest (<http://www.roanoke.com/news/roanoke/wb/304045>) in terms of the update last night. As the article states, the School Board has a desire to provide a raise to all employees in FY12-13. As you can see, there is much work to be done on the budget over the next two months as we work through the budget process and the many bills and changes likely to come out of Richmond.

January 15, 2012

Hard to believe it is already the beginning of the 2nd semester but that means we are also knee deep in the budgeting season. Governor McDonnell released his proposed state budget on December 19th and the Department of Education released school specific allocations later that week. The impact on Roanoke County Schools included:

- VRS rate increases in retirement, life insurance, and retiree health credits of approximately \$5,000,000. He did not propose an increase to the level recommended by the VRS actuaries which means that the health of the fund will again be impacted. However, the size of the proposed increase is a serious budgetary impact on our budget.
- Significant loss in the allocation of state-wide sales taxes to our school district. The state began using a new allocation formula this year rather than the counts obtained from the triennial census. Although it is a relief for schools to not have to conduct the federal census anymore, this is a negative impact that was not expected.

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- The Governor continues to shift education funding to the lottery thereby creating a more volatile reliance on an unguaranteed revenue source.
- A reduction in the funding emphasis on preschool and the reallocation of funds in that program to other areas in the state budget.

The bottom line impact on our budget is that the state revenue appears to be level at best for next year (no new revenues at this time and possibly a reduction). The larger impact is in the increase in mandatory expenditures for VRS which means we must find a way to pay \$5,000,000 more in VRS expenses than we are paying today. With state and local revenues appearing to be flat, the only other option is to reduce other expenses. That is where our time will be focused over the next month as we wait for further action in the General Assembly.

The School Board reorganized this week and we welcome Mr. Fuzzy Minnix and Mr. Jerry Canada as our new Chairman and Vice Chairman, respectively. They have set the meeting dates for the year which will include the following important budget dates:

Jan 26	Budget public hearing and work session
Feb 1	Joint School Board and County Board meeting at County Admin
Feb 9	Regular board meeting
Feb 23	Regular board meeting
Mar 6	Budget work session
Mar 8	Regular board meeting
Mar 13	Budget work session
Mar 15	Budget work session (if needed)
Mar 27	Adopt budget

The Employee Advisory Committee will meet on February 13th and I will provide a current update of our budget progress at that time as well.

As in previous years, there will be a flurry of bills submitted to the General Assembly over the coming weeks for General Assembly consideration and the budgets that are released by the House and Senate are likely to reflect a number of differences from the Governor's proposed budget submitted last month. We will continue to evaluate the impacts on Roanoke County Schools and try to keep you informed via this blog and newsletters as the information becomes available to us.

In the meantime, please continue to exercise frugal spending habits and share cost cutting ideas with your Principals and Supervisors so that we can all do our part to find a way to balance our budget and focus spending on our highest priorities.

November 8, 2011

It is hard to believe but it is time to think about the annual budget process once again! We have been working behind the scenes to close out the 2010-11 year with a surplus due primarily to spending less than we budgeted. The hiring freeze was softened for the school opening this year as each vacancy was evaluated based on student needs with some of this year's vacancies being filled. The School Board will, however, continue to reduce spending whenever possible as employees voluntarily retire or resign.

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Instructional allotments were processed in full last month to allow the schools to address instructional needs early in the year.

Unlike the previous two years, the federal stimulus funding expired September 30, 2011 so spending on special education programs and Title I programs will be drastically lower this year as we return to the limited local funding in the school budget. The recent nation-wide push for another federal stimulus plan, the American Jobs Act, has not passed and looks unlikely to proceed at this time.

From a local perspective, our school division has taken a \$15 million reduction in state aid in the past three years and accordingly reduced our workforce by more than 200 employees through retirements, resignations, and attrition. The school budget has been reduced to levels found back in 2005-06. Unfortunately, recent comments from Governor McDonnell reflect less than optimistic outlooks for the 2012-13 budget.

As we look towards the 2012-13 budget cycle, we have to consider the issues that are likely to significantly challenge our ability to balance a budget including:

- VRS retirement rate increases that could go from 11.33% to 21.77%, as recommended by the actuaries, to properly fund the future pension benefits for our employees. This could cost our school system alone more than \$7,000,000. The General Assembly has historically reduced the actuarial rates but that has also contributed to the weakening funded status of the pension plan.
- A smaller enrollment in kindergarten classes than graduating seniors is leading to a decline in student enrollment which results in less state aid. Unfortunately, the lower numbers are spread across all schools so it is not easy to reduce staffing to correspond to the lower enrollments.
- State composite index (local ability to pay for education) used to allocate funds to schools changes every 2 years and early projections show the index increasing for RCPS which means a reduction in state funding for RCPS.
- Local real estate and personal property taxes are flat with no indication of increasing local revenues. The County splits new revenues with the schools so no growth in these tax revenues means no new income for the Schools.
- Rising medical trends resulting in increases in employee medical costs.
- Governor McDonnell's direction to all state agencies to prepare a budget with 6% cuts. This is likely to trickle down to the local governments as well and with 50% of our funding coming from the state, it is another indicator of budget cutting.

While we will not have detailed numbers from the state until the Governor presents his budget in late December, we will continue to encourage all schools, departments, and school employees to be frugal in their spending of local dollars. The School Board continues to anticipate difficult budgeting and has positioned the school system in the best financial position they can with appropriate reserves which will be re-evaluated again during this budget process. The School Board will be setting the budget calendar dates at their January meeting and they will post on the website soon thereafter. There will be a public hearing on the budget at the second meeting in January.

On a budget related note, medical trends continue to be in the double digits and combined with the added costs from the federal healthcare reform regulations, this is a

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significant portion of the school budget with the School System budgeting \$10.9 million for employee health insurance this year. At School Board request, staff has been working with Anthem and our insurance consultant to evaluate the addition of a health insurance option for the 2012-13 renewal which would include a high deductible health plan partnered with a health reimbursement account or health spending account. This type of plan could reduce healthcare costs for both the School Board budget and individual employees and is currently offered in many neighboring school districts. More information on this possible plan option will be shared in the employee newsletter later this month.

The Employee Advisory Council will meet on Monday, December 12th, at 4:00 so stay tuned for a report back from your school representative and be sure to share any thoughts or suggestions for the good of the budget with your EAC representative so they can share with the EAC.

In the meantime, my best wishes to you and your families during the coming holiday season. May you have restful and rejuvenating days away as we all prepare for the challenges of the winter ahead.

Happy Holidays!