

# FY 2023 Budget Work Session

SEPTEMBER 21, 2021

# Topics

- Background Information - CARES/ARP ESSER III and the FY 2022 Budget
- Local Funding
- State Funding & the Local Composite Index of ability to pay (LCI)
- Budget Process
- Next Steps & Discussion



## Coronavirus Aid Relief Economic Security (CARES) & Subsequent Funding

Source Description	Acronyms	Issue Date	Spend Down Deadline	Award Amount
Coronavirus Aid Relief Economic Security	CARES	3/27/2020	9/30/2022	1,187,446
Coronavirus Response and Relief Supplemental Appropriation	CRRSA / "CARES II"	12/27/2020	9/30/2023	4,481,993
American Rescue Plan (Act) - Elementary & Secondary School Emergency Relief	ARP ESSER III / "CARES III"	3/11/2021	9/30/2024	10,065,919
	Total CARES Funding			15,735,358.17

CARES & CRRSA budgeted for Operations in Fiscal Year 2022 - \$4,571,634 (plus \$332,952 pending for transportation for year 1 of "2 year pilot" = \$4,904,586)

Prior to requesting reimbursement for CRRSA funds (CARES II) school divisions must have expended and requested all of CARES I allocation (Superintendents' Memo 090-21, April 9, 2021)

# ARP ESSER III Funds

- ▶ Purpose
  - ▶ Help schools return safely to in-person instruction, maximize in-person instructional time, sustain the safe operations of schools, and address the academic, social, emotional, and mental health impacts of the COVID-19 pandemic on students. At least 20 percent must be reserved to measure and address the academic impact of lost instructional time on all students. Interventions to address the academic impact of lost instructional time will respond to the academic, social, emotional, and mental health needs of all students
- ▶ Application Requires 2 Plans:
  - ▶ **Safe return to in-person instruction and continuity of services**
    - ▶ CCS COVID-19 mitigation health plan is posted at: [charlottesvilleschools.org/returntolearn](https://charlottesvilleschools.org/returntolearn)
    - ▶ The plan will be reviewed and revised at least once every six months in accordance with the ARP ESSER Interim Final Rule and any subsequent state or federal guidance to ensure it remains relevant and meets statutory and regulatory requirements
    - ▶ Public comment on the plan will be encouraged at School Board meetings and online
  - ▶ **Use of the ARPA ESSER funds**
    - ▶ The plan will be shared with stakeholders including students, families, and staff for review and comment via Board meeting and online communication channels

# Good News & Challenge

**GOOD NEWS:** Decisions made in the FY 2022 budget process are already aligned with the guidance and expectations for the ARP ESSER III (CARES III) funds.

**CHALLENGE:** More one-time (non-recurring) funds are coming in over the next several years at the same time that we must decrease dependency on one-time funds in the FY 2022 budget for recurring operating expenses

FY 2022 Adopted Budget Increase (as of 5/6/2021)	4,963,116
State Revenue Increase	(391,482)
Non-Recurring Revenues in FY22 Budget	4,571,634
Allowance for Pending Budget Amendment to Increase Pupil Driver Compensation	332,952
	<b>4,904,586</b>



One-Time/Non-Recurring Funds in FY22

# City Support for Schools



**City funding is the foundation & key for CCS programming & services.**

**COVID-19 has had significant and far reaching impacts on CCS Students emotionally, academically and economically. Staff have been working harder than ever to address student needs in the midst of ever changing challenges.**

**CAUTION: The proposed budget leverages one-time/non-recurring CARES funds to address the most pressing needs and allows time for City revenues to cover. It will be essential for the City to start providing additional allocations starting in FY 2023 to off-set these proposed uses of CARES funds or future cuts to services will be required. Any additional appropriation from the City for FY 2022 would start the process of reducing dependency on one-time (non-recurring) funds.**

# Blue Ribbon Commission on Sustainable School Funding

**It is difficult to estimate the size of the year-to-year funding gap going forward but it appears to be somewhere between \$2-4 million a year.** The size of the gap will depend on how the city economy fares, how property assessments change, what happens to school costs and whether the state and federal governments step forward to re-assume a greater share of school costs. There will be inflation and other factors that will continue to drive school costs higher in the coming years even if no new major programs or facilities are added.

Reference:

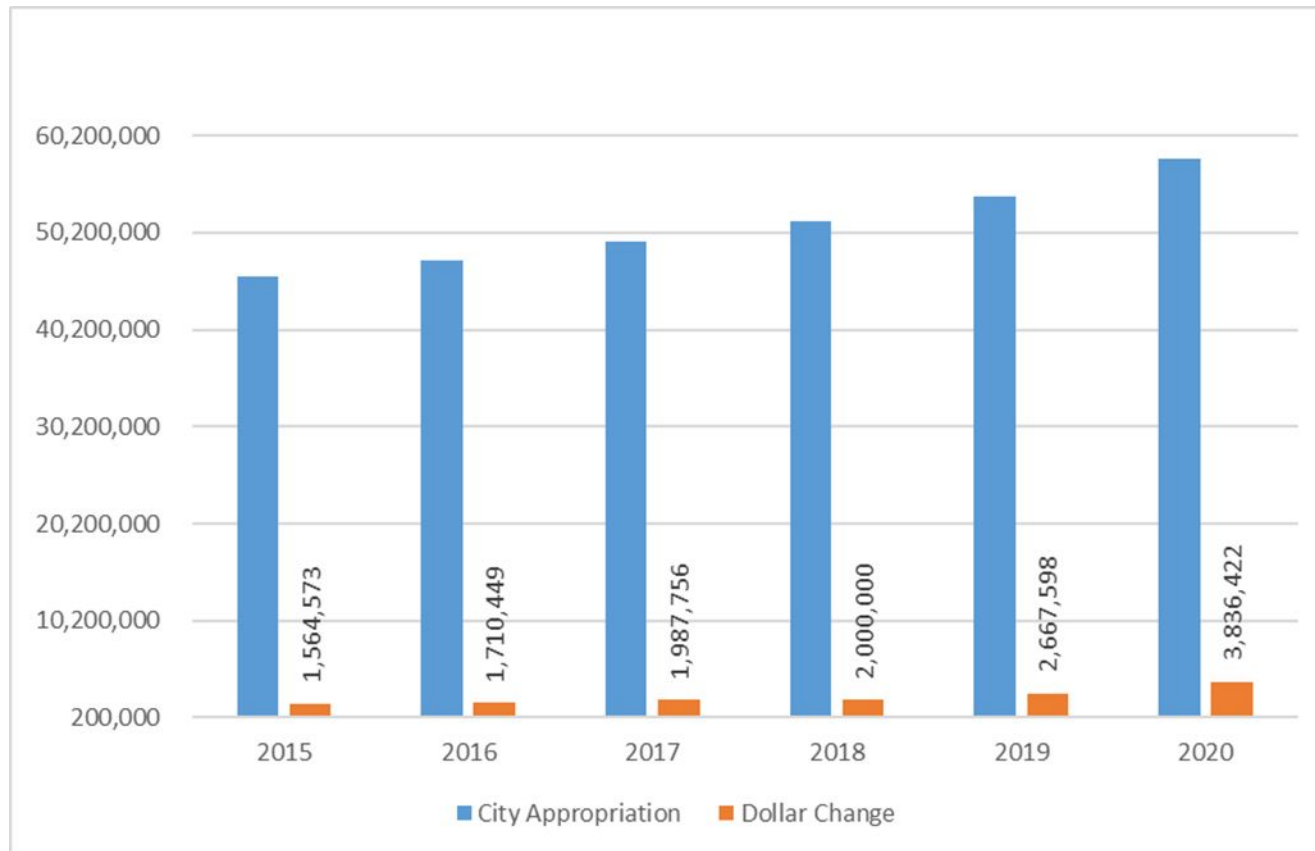
**City of Charlottesville – Report of The Blue Ribbon Commission on Sustainable School Funding**

**January 22, 2014**

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# CCS Budget & City Appropriations



**The Average Annual Increase in City Appropriation for Schools was \$2.3 Million from 2015 to 2020**



# Council & Board 9/15 Work Session

## Option 1 - \$50M Reconfiguration (including West Main)

- Significant Revenue Enhancements Needed
  - \$0.15 Tax Increase Equivalent in next budget
    - \$0.05 - \$4.5M School Operational Increase
    - \$0.05 – Debt Service - \$50M School Project
    - \$0.05 - additional Debt Service remaining CIP
- Debt Service Doubles - \$12M to \$23M – in 6 years
- Bond Capacity is Exhausted
  - 2 years+ with no new projects
- Debt Service Fund Balance Exhausted

## Option 2 - \$50M Reconfiguration (Removes West Main)

- Significant Revenue Enhancements Needed
  - \$0.13 Tax Increase Equivalent in next budget
    - \$0.05 - \$4.5M School Operational Increase
    - \$0.05 – Debt Service - \$50M School Project
    - \$0.03 - additional Debt Service remaining CIP
- Debt Service Doubles - \$12M to \$22M – in 6 years
- **Bond Capacity is Stressed but Manageable at 9% Target**
- **Debt Service Fund Balance Stressed but Manageable**

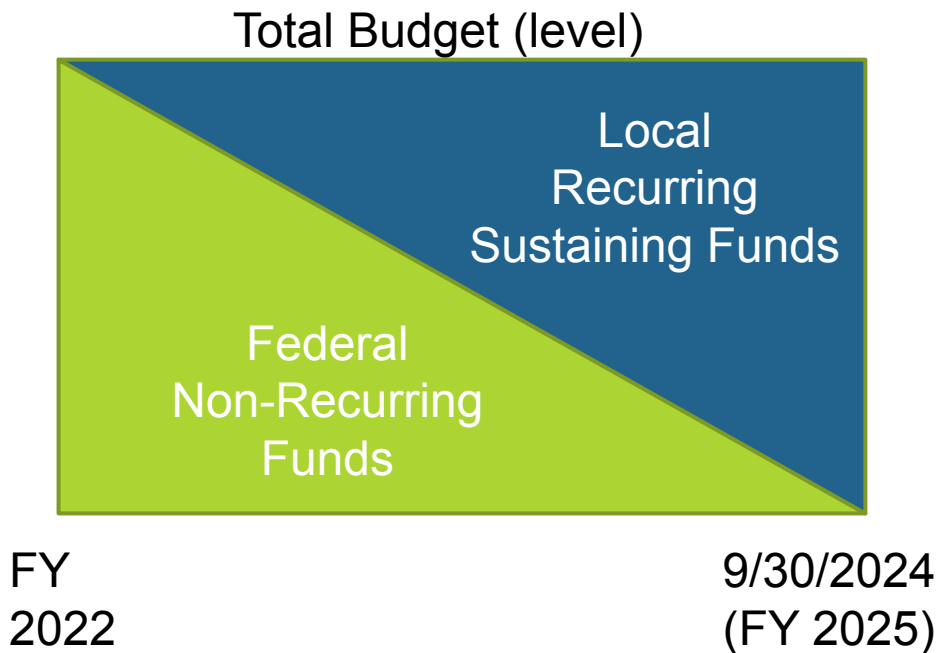
## Option 3 - \$75M Reconfiguration (including West Main)

- Significant Revenue Enhancements Needed
  - \$0.18 Tax Increase Equivalent in next budget
    - \$0.05 - \$4.5M School Operational Increase
    - \$0.08 – Debt Service - \$75M School Project
    - \$0.05 - additional Debt Service remaining CIP
- Debt Service Doubles - \$12M to \$23M – in 5 years
- Bond Capacity is **EXCEEDED** – FY 28
  - 4+ years with no new projects
- Debt Service Fund Balance Exhausted

## Option 4 - \$75M Reconfiguration (Reallocates West Main to School Project)

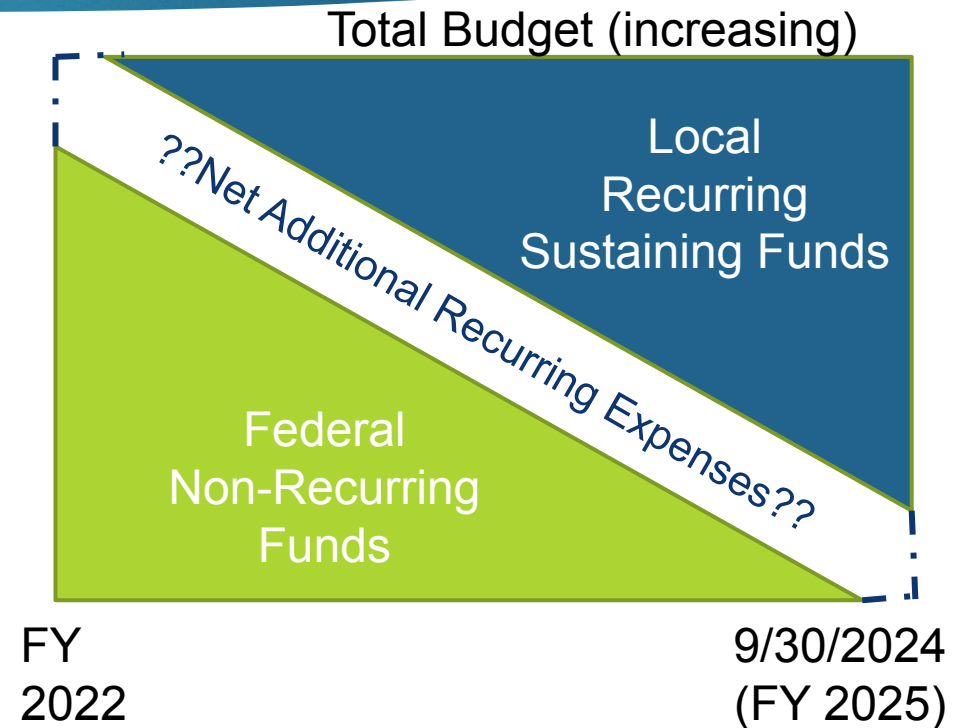
- Significant Revenue Enhancements Needed
  - \$0.15 Tax Increase Equivalent in next budget
    - \$0.05 - \$4.5M School Operational Increase
    - **\$0.05 – Debt Service - \$75M School Project**
    - \$0.05 - additional Debt Service remaining CIP
- Debt Service Doubles - \$12M to \$23M – in 6 years
- **Bond Capacity is Exhausted**
  - **2 years+ with no new projects**
- Debt Service Fund Balance Exhausted

# Budget Ramps & Bridges



## Flipping the Ramp

Switching from non-recurring federal funds to recurring local funds would be easy if revenues & expenses were constant or known going forward.



## Bridging Net Additional Recurring Expenses

Covering added or increased expenses not off-set by additional revenue from other sources nor by expense reductions

## COMPOSITE INDEX OF LOCAL ABILITY-TO-PAY FORMULA

**Average Daily Membership (ADM) Component =**

$$.5 \left[ \frac{\text{Local True Values}}{\text{Local ADM}} \right] + .4 \left[ \frac{\text{Local Adjusted Gross Income}}{\text{Local ADM}} \right] + .1 \left[ \frac{\text{Local Taxable Retail Sales}}{\text{Local ADM}} \right] \\ - \left[ \frac{\text{State True Values}}{\text{State ADM}} \right] - \left[ \frac{\text{State Adjusted Gross Income}}{\text{State ADM}} \right] - \left[ \frac{\text{State Taxable Retail Sales}}{\text{State ADM}} \right]$$

**Population Component =**

$$.5 \left[ \frac{\text{Local True Values}}{\text{Local Population}} \right] + .4 \left[ \frac{\text{Local Adjusted Gross Income}}{\text{Local Population}} \right] + .1 \left[ \frac{\text{Local Taxable Retail Sales}}{\text{Local Population}} \right] \\ - \left[ \frac{\text{State True Values}}{\text{State Population}} \right] - \left[ \frac{\text{State Adjusted Gross Income}}{\text{State Population}} \right] - \left[ \frac{\text{State Taxable Retail Sales}}{\text{State Population}} \right]$$

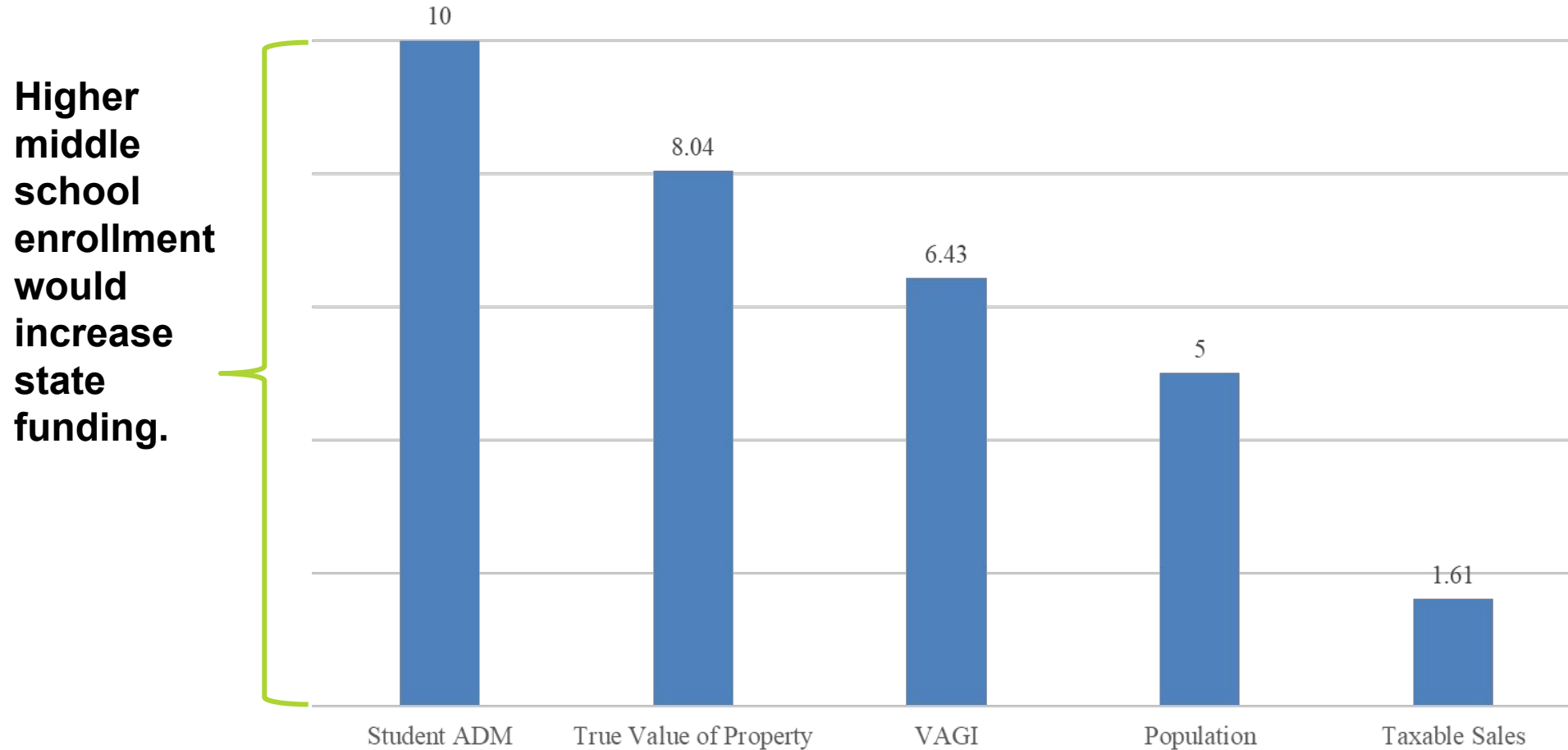
**Final Composite Index =**

$$((.6667 \times \text{ADM Component}) + (.3333 \times \text{Population Component})) \times 0.45$$

Local property tax rates have no impact on the LCI for state funding.

**LCI change depends on how all factors in the formula move for a locality relative to all other localities.  
FY 2023 is a new biennium for State determination of a new LCI for all Virginia localities.**

## ADM is the Most Important Component of the LCI Relative Weighting on a Scale of 1-10



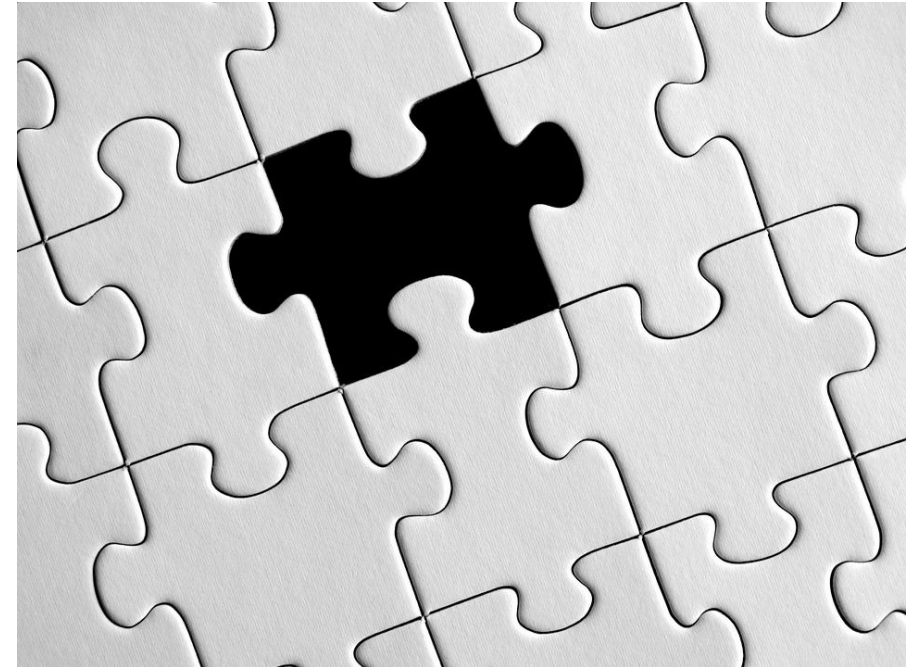
\*Source: Jim Regimbal, Fiscal Analytics, Ltd. – VASS presentation December 2016

# Budget Process - Variables

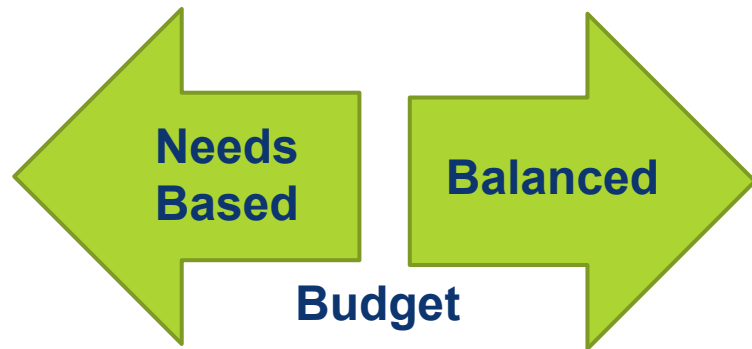
## Putting the Pieces Together

- Enrollment Projections & Staffing (October/November)
- Stakeholder Input (November – January)
- State Budget (December – March)
  - Revenues (new LCI for FY 2023)
  - VRS Rate
  - Raise Rate
  - Other...

**Local Appropriation – The Final & Most Important Piece**



# Process for a Needs Based Balanced Budget



Ineffective for Building Ramps  
& Bridges



# FY 2022 Budget Priorities

- ▶ Recruit & Retain Highly Qualified Teachers and Staff
- ▶ Maintain Continuity of High Quality Instructional Programs
- ▶ Apply a Lens of Equity in All Funding Considerations to Provide Educational Opportunities for All Students



# Next Steps

## □ **Priorities for the FY 2023 Budget**

- What priorities does the Board want to establish for the FY 2023 budget development?

## □ **Budget Process for FY 2023**

- How does the Board want to approach programs in the FY 2023 budget development in relation to funding from City and/or state?

## □ **Commitment & Timing for the \$.05 Tax Increase for School Operations**

- Funding to “flip the ramp” - Is this a given? Will it be phased?
- If the City funds the \$4.5m through a real estate tax increase, where do we want to focus the use of CARES/ARPA non-recurring funds?

## □ **City Revenue & Expense Outlook**

- How soon can CCS expect a preliminary increase estimate for FY 2023?
- Are changes being considered to the baseline funding formula?



# Appendix

*Working together is success.* – Henry Ford



## FY 2021-22 Funding Request (Changes to FY 2021)

February 18, 2021 Superintendent's Proposed Budget Approval

(Revised for State Revenue on 3/10/2021)

*Through the Lens of Equity*

REF.	Strategic Plan	SALARY ACTIONS	AMOUNT	FTE
	OS 7	Teachers one step plus 3.75% - average increase 5%	1,901,268	
	OS 7	Support Staff one step plus 1% - average increase 5%	321,041	
	OS 7	Administrative Staff one step plus 3.75% - average increase 5%	545,393	
	AE-3, OS-7	Nurse Pay Scale: Alignment with Regional Market	177,537	
	OS-7, SS-5,6	Head Custodian Pay Scale: Adjustment	49,963	
		<i>Total Salary Actions</i>	2,995,202	
		NON-DISCRETIONARY CONTRACTS		
		Insurance: General Liability/Property	10,000	
		Insurance: Workers Compensation	10,000	
		City Contract: Pupil Transportation	140,265	
		City Contract: Maintenance	226,404	
		<i>Total Non-Discretionary</i>	386,669	

**\$3,381,871 in Salary Actions & Non-Discretionary Contract Increases**

Priority Items for Recurring Funding

SCHOOL-BASED PROGRAM SUPPORTS & IMPROVEMENTS			
AE-1, AE-3, SS-4	Internet Access for Students: Remote Learning	91,200	
AE-1, AE-3, SS-4	Zoom: Remote Learning Instruction Tool	25,000	
AE-1, AE-3, SS-4	Remind: Communication Tool Platform	13,772	
AE-1, AE-3, OS-1	Newsela: Literacy Content Platform Grades 7-12	17,900	
AE-3, OS-9, SS-4,	Social Workers: PreK - 4 & LMA	542,399	6.5
AE-3, OS 7	Instructional Assistants: 2nd Grade	234,528	6.0
AE-3, OS-7, 8, SS-	Assistant Principal: CHS	106,663	1.0
AE-1, AE-3, OS-7	Reading Specialist: Greenbrier	83,446	1.0
AE-3, SS-4	Teacher: STAR (Structured Teaching Autism Resource) Buford & Walker	166,892	2.0
AE-2, AE-3	Math Specialist: CHS	83,446	1.0
AE-1, AE-3	Teacher: Fine Arts Buford	83,446	1.0
AE-1, AE-3, OS-7	Teacher: Virginia State University Students Training to be Teachers and Reaching Success CHS	35,889	0.5
AE-3, OS-7, 8, SS-	Literacy Specialist: LMA	35,889	0.5
AE-3, OS-7,8, SS-	Lead Teacher Stipend: Grade Levels K - 6	57,000	38.0
AE-3, OS-7,8, SS-	Lead Teacher Stipends: PreK	9,000	6.0
AE-3, OS-7,8, SS-	Lead Teacher Stipends: ESL	7,500	5.0
AE-3, OS-7,8, SS-	Lead Teacher Stipends: Special Education	10,500	7.0
AE-3, OS-7, 8	Math Specialist: Additional 10 Contract Days	31,000	7.0
AE-3, OS-7, 8	Reading Specialist: Additional 10 Contract Days	39,544	7.0
AE-1, AE-3	Content Squads: Stipend	56,000	40.0
AE-3, OS 7	Substitute: Teacher Honorarium	25,000	
AE-1, AE-3, SS-4	Books: K-12 Bookrooms	60,000	
AE-1, AE-3	Materials & Supplies: K-12 Science	6,000	
AE-1, AE-3, SS-4	Musical Instruments: Maintenance & Repair	20,000	
SS-5, 6	Athletic Trainer Services: Contract Increase	12,105	
<i>Total School-Based Program Supports &amp; Improvements</i>		1,854,119	

\$147,872  
Tech


19.5 FTE's  
\$1,372,598

\$210,544  
Stipends &  
contract  
adjustments

## \$1,854,119 in School-Based Program Supports & Improvements

Some Expenses are COVID Specific or Non-Recurring

SCHOOL OPERATIONS		
	COVID Mitigation: Supplies	100,000
	<i>Total School Operations</i>	100,000
REDUCTIONS		
	FTE Reductions Based on Enrollment: Professional Staff	(333,785) (4.0)
	FTE Reductions Based on Enrollment: Support Staff	(39,089) (1.0)
	<i>Total Reductions</i>	(372,874)
GENERAL FUND TOTAL NET EXPENSES		4,963,116
REVENUES		
	State	391,482
	CARES I & II	4,571,634
	City (Estimated Request)	0
GENERAL FUND TOTAL NET REVENUES		4,963,116


**\$4.5 Million** Does not include transportation increase \$332,952/year "pilot".

## Most FY 2022 Increases Funded with Non-Recurring Revenue

\$4.9 Million with Transportation Increase