

FY16 BUDGET HIGHLIGHTS FOR KEY COMMUNICATORS MEETING 2/23/15

The last seven years have been very challenging for HCS, with a total loss in state funding of nearly \$24M. City funding has actually increased by nearly \$2M over the same time period.

Governor's FY16 budget held K-12 harmless – no new reductions.

Primary revenue loss for HCS is due to enrollment loss (\$1.6M).

House and Senate budgets both provide funds for a 1.5% salary increase.

There is a small decrease in the Virginia Retirement System employer contribution rate (by making a deposit into the pension fund from the liquidation of unclaimed stocks).

Final General Assembly action is due this week (by 2/28).

As a division, we are looking at providing a salary increase to employees of between 1-3%. Each 1% increase costs approximately \$1.3M.

We also have a number of expenditure pressures that result from cost increases that we are required to pay such as:

- Risk Management self-insurance (property, liability, auto, workers comp, malpractice, etc.)
- New building for New Horizons (we are one of six school divisions that support it)
- Positions that were added this school year based on enrollment and school need
- Software costs/increases
- Grant matches
- Our share of city charges (Procurement, SRO's, Sargent building rent, radios)
- Changes in e-rate (no longer funding phones, phased out at 20% per year)

To cover the gap created by the loss of revenue and expenditure pressures, we are looking at internal savings such as:

- Year over year attrition (personnel savings from one year to the next)
- Review of budgeted line items where funds may no longer be needed
- Reductions based on enrollment loss

Other considerations to balance the budget are:

- Adjusting the high school schedule
- Closing a school
- Reducing elementary art and music
- Increasing class size at 4th and 5th grade up to 30
- Reduce an elementary AP (sharing)
- Adjustments to health insurance (eliminate PPO or raise rates)

Further adjustments may be made once we get the final General Assembly approved budget.

Presentation of the Operating Budget is scheduled for March 11 at Jones.