

## State revenue

The 2010 Proposed revenue budget was finalized in November, 2008 before the state had given specific guidance in mid-December. ACPS considered a multitude of available factors such as the state Secretary of Finance monthly revenue reports, revised state budget deficits, triennial census expectations, Governor's guidance to state agencies, revised Average Daily Membership projections, and the macroeconomic environment. ACPS approached the state revenue budget in a bifurcated fashion: budgeting "direct aid", meaning all state revenue based on enrollment, and sales tax revenue. There are different factors that affect direct aid and sales tax revenue sources.

Direct aid is driven by enrollment – ADM in most cases, special education, and English language learners (ELL) as well as funding available from the state's general operating budget. ACPS expected the impact of the state's budget deficit to reduce these accounts by 12.5% before accounting for the change in enrollment. Sales tax revenue is driven primarily by *actual* sales tax receipts, although the triennial census of school age population is a factor as well. ACPS budgeted a 7.5% year over year decrease from FY 2008 actual sales tax receipts to derive the sales tax revenue budget. This decrease incorporated expectations informed by the state monthly revenue reports as well as an anticipated drop to school age population.

### **Impact of the Governor's budget: direct aid and sales tax revenue**

FY 2010 Proposed v Governor's Budget (12/17/2008)			
	Governor's budget	Proposed Budget	Difference, Gov budget v Proposed
Direct Aid	\$ 17,479,322	\$ 17,436,993	\$ (42,329)
Sales Tax	\$ 10,181,573	\$ 8,458,471	\$ (1,723,102)
<b>Total Revenue</b>	<b>\$ 27,660,895</b>	<b>\$ 25,895,464</b>	<b>\$ (1,765,431)</b>
ADM = 10,956			

Table 1: FY 2010 Proposed v. Governor's Budget

Table 1 is a comparison between the Governor's proposed budget and the ACPS 2010 proposed budget for the two categories described above. The direct aid accounts, those that are dependent on enrollment and the state's fiscal situation, are \$0.04 million (0.2%) less than what the Governor has proposed. This is a remarkably small variance given the information that ACPS had to work with. The 2010 Proposed sales tax budget is a much different story. The ACPS state sales tax budget is \$1.7 million less than computed under the Governor's proposed budget. ACPS continues to believe that prudence dictates the \$8.5 million figure.

Sales Tax Estimate dollars in millions				
	FY 08 Actual	FY 09 Projected	FY 10 Projected	FY10 Projected v FY 08 Actual
State sales tax projections	\$ 3,075.5	\$ 3,010.9	\$ 3,166.6	3.0%
Year-over-year change		-2.1%	5.2%	
ACPS sales tax per state projections	\$ 9.9	\$ 10.5	\$ 10.2	3.0%
Year-over-year change		6.4%	-3.2%	
ACPS sales tax estimate	\$ 9.9	\$ 9.1	\$ 8.5	-14.4%
Year-over-year change		-7.5%	-7.5%	

Table 2: Sales Tax Estimate

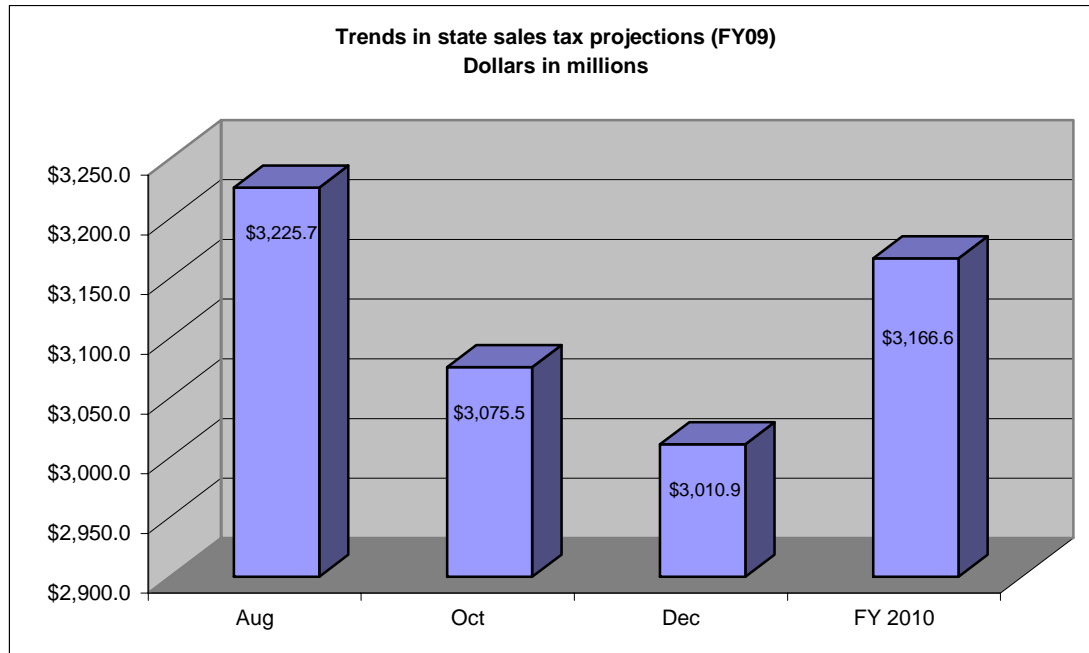
### Sales Tax Computations

The 2010 Proposed ACPS sales tax budget is computed as total state sales tax collections (the 1 1/8<sup>th</sup> dedicated to education) multiplied by the ratio of Alexandria school age population to total statewide school age population as reported in the 2008 triennial census.

- The actual total sales tax collections are budgeted by the state to increase by 3.0% from FY 2008 to FY 2010. ACPS believes this is a very optimistic scenario.
- The state is projecting FY 2009 revenue to decline by 2.1% compared with FY 2008, but increase by 5.2% from FY 2009 to FY 2010 to derive the 3.0% increase. This also corresponds to a 3.0% sales tax revenue increase for ACPS from FY 2008 to FY 2010 according to the state's projections.
- The state calculations for FY 2009 sales tax revenue uses the 2005 triennial census while the FY 2010 calculation uses the 2008 triennial census. The recently released triennial census figures show that Alexandria's school age population has decreased from 0.93% in 2005 to 0.87% in 2008, a decrease of 7.25%, of total statewide school age population.
- ACPS believes a 3.0% increase in sales tax revenue is optimistic due to underlying trends gleaned from state monthly revenue reports as well as the macroeconomic environment.
- Sales tax revenue is based on *actual* sales tax receipts. The Direct aid entitlements are based on appropriated distributions and *are not adjusted* to reflect actual tax collections.

### Sales tax trends

The state is projecting a 2.1% decrease in FY 2009 sales tax compared to FY 2008. However, state sales tax collections through the month of November are down by 2.8% compared to the year prior. The sales tax collections are still trending lower than the state's projected sales tax revenue. The trend in state sales tax forecasts has continued downward as can be seen in the chart below. The August sales tax forecast for the FY 2009 year began at \$3,225.7 million, declined to \$3,075.5 million in October and has been recently updated to \$3,010.9 million in December. This represents a decline of 6.7% in projections since August.



The ACPS sales tax estimate of 7.5% year-over year, or 14.4% total, from FY 2008 actuals incorporates both expectations of sales tax revenue as well as the decline in the school age population per the 2008 triennial census.

### State revenue template

These revenue projections are developed in accordance with the state revenue template available on the Virginia Department of Education's website.

Differences between ACPS operating budget and state revenue template can be summarized as follows:

- The state templates compare the state's FY 2009 projection, not ACPS's final budget, to the FY 2010 projection.
- The state's default enrollment projection for FY 2010 is higher than ACPS is using.
- Some state revenue accounts are handled in the grants and special projects and school nutrition funds rather than the operating fund.

The ACPS state revenue figures for the operating budget can be reproduced by utilizing the interactive state revenue template and using the assumptions outlined below:

- Interactive tool can be found at:  
[http://www.doe.virginia.gov/VDOE/Finance/Budget/governors\\_2008-2010\\_introduced\\_budget\\_1208.xls](http://www.doe.virginia.gov/VDOE/Finance/Budget/governors_2008-2010_introduced_budget_1208.xls)
- ACPS is using an ADM of 10,956 versus the state's assumption of 11,589.70. The state's ADM assumption would imply a total enrollment of nearly 12,000 students, which is much higher than the budgeted 3.1% enrollment increase.
- Replacing the sales tax figure with \$8,458,471
- Excluding the accounts that are accounted for in the grants and special projects and school nutrition funds:
  - career and technical education, ISAEP, SOL Algebra readiness, special education – state operating programs, early reading intervention, mentor teacher program, school breakfast, school lunch, as well as the preschool initiative funds remitted directly to the city.

## **Fee changes and impact on local revenue**

Local funds are projected to increase by 57.9% to \$1.43 million. A summary of the changes follows:

- Summer School: With the exception of elementary music, summer school fees are increasing between 13.7 – 20.0%.
- Super Summer: ACPS is proposing to make Super Summer a self-supporting program. By assuming that both two-week sessions would be equally distributed between full-price and reduced-price eligible students, the total revenue generated would be \$153,200. ACPS only budgeted at about 85% of that figure, or \$129,135, to incorporate an enrollment contingency given the significant price change. However, the proposed fees of \$460/16 for a full day are comparable to Arlington and Fairfax, which charge \$404/100 and \$350/NA for full-price and reduced price, respectively. Enrollment beyond that budgeted would have no bottom line impact, as the program is budgeted to be self-supporting.
- Summer Economics Institute: ACPS is proposing to make this a self-supporting program. The \$290 fee should be sufficient to cover the teaching supplement and materials. Students will continue to be compensated by their respective sponsoring businesses.
- Adult education: Increases in adult education fees range from between 8.0% to 18.2%. These fee increases in concert with better revenue recording efforts result in total adult education revenue of \$293,138, an increase of \$179,931 or nearly 160%. A total of \$180,556 has been collected through December of 2008.
- Miscellaneous fees: There is no proposed increase to miscellaneous student fees such as lockers, towel rental, gym suits and parking permits. However, we are still considering alternatives to at least cover direct costs.
- Building use and custodial fees: The average building use/custodial fees will increase between 14.3 and 25.0% from FY 2009. There is a two-tiered rate structure to reflect two different categories of users: category A, or organizations outside of Alexandria or any for-profit entity, and category B, or all nonprofit organizations within the City of Alexandria. Fee increases will affect both categories of organizations. The fee increases, coupled with a review of actual receipts, indicates a total building use budget of \$526,189. This represents a modest increase over the \$522,548 in fees collected in FY 2008. We are anticipating a drop in paid use due to macroeconomic conditions. The comparison to the FY 2009 budget indicates an increase of \$181,640 or about 53%.

**Tuition, Course, and Food Service Fees**  
Effective July 1, 2009 through June 30, 2010

			Tuition	Fees	Total	Free-and-Reduced Price Lunch Eligible Tuition & Fees	FY 2008	FY 2009	FY 2010 Proposed	% Change FY 2009 to FY 2010
<b>Regular Day</b>	Average Cost Per Student		\$ 17,567	\$ -	\$ 17,567	NA	\$ 18,761	\$ 19,422	\$ 17,567	-9.6%
<b>Summer School</b>	Grades 2-5	Remedial Course	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	NA
		Music	230	60	290	60	165	165	290	75.8%
	Grades 6-8	One Repeat Course	\$ 90	\$ 60	\$ 150	60	\$ 125	\$ 125	\$ 150	20.0%
		One New Course	90	60	150	60	125	125	150	20.0%
		Two Repeat Courses	180	60	240	60	205	205	240	17.1%
		Accelerated ELL Course	180	60	240	60	205	205	240	17.1%
	Grades 9-12	TEMS Program	90	60	150	60	125	125	150	20.0%
One repeat Course, SAT Preparation, Algebra Review, Communications Skills, or Pre-AP Strategies		\$ 115	\$ 60	\$ 175	60	\$ 150	\$ 150	\$ 175	16.7%	
Two Repeat Courses or One New Course including Health and PE Grades 9&10, and Human Growth & Development SOL Review Course		230	60	290	60	255	255	290	13.7%	
		-	-	-	\$ -	-	-	-	NA	
<b>Super Summer</b>	Each half-day class		\$ 275	\$ -	\$ 275	\$ 15	\$ 12.5	\$ 12.5	\$ 275	2100.0%
	Each full-day class		460	-	460	\$ 16	25	25	460	1740.0%
<b>Summer Economics Institute</b>			\$ 230	\$ 60	\$ 290	\$ 60	\$ -	\$ -	\$ 290	NA
<b>Adult Education</b>	ELL	Resident	\$ 65	\$ -	\$ 65	NA	\$ 55	\$ 55	\$ 65	18.2%
		Nonresident	235	-	235	NA	200	200	235	17.5%
	GED	Resident	\$ 65	\$ -	\$ 65	NA	\$ 55	\$ 55	\$ 65	18.2%
		Nonresident	235	-	235	NA	200	200	235	17.5%
	High School Diploma	Resident	\$ 60	\$ -	\$ 60	NA	\$ 55	\$ 55	\$ 60	9.1%
		Nonresident	235	-	235	NA	200	200	235	17.5%
	High School Diploma: Second Course	Resident	\$ 30	\$ -	\$ 30	NA	\$ 28	\$ 28	\$ 30	9.1%
		Nonresident	235	-	235	NA	200	200	235	17.5%
	Community Education	Resident	varies by course			NA				
	Community Education	Nonresident	varies by course			NA				
	Occupational Cosmetology	Resident	\$ 250	\$ 20	\$ 270	NA	\$ 240	\$ 240	\$ 270	12.5%
		Nonresident	315	20	335	NA	295	295	335	13.6%
	LPN Phase I	Resident	\$ 1,100	\$ 250	\$ 1,350	NA	\$ 1,250	\$ 1,250	\$ 1,350	8.0%
		Nonresident	1,550	250	1,800	NA	1,650	1,650	1,800	9.1%
	LPN Phase II	Resident	\$ 1,485	\$ 200	\$ 1,685	NA	\$ 1,550	\$ 1,550	\$ 1,685	8.7%
Nonresident		2,375	200	2,575	NA	2,350	2,350	2,575	9.6%	
<b>Miscellaneous Student Fees</b>	Intersession Fees (Modified Calendar)		\$ -	\$ 25	\$ 25	\$ 5	\$ 25	\$ 25	\$ 25	0.0%
	Lockers	Non-refundable	\$ -	\$ 3	\$ 3	NA	\$ 3	\$ 3	\$ 3	0.0%
	Towel Rental	PE Classes	\$ -	\$ 5	\$ 5	NA	\$ 5	\$ 5	\$ 5	0.0%
	Gymsuits		\$ -	\$ 10	\$ 10	NA	\$ 10	\$ 10	\$ 10	0.0%
	Parking Permit (per semester)	TC Williams	\$ -	\$ 37.50	\$ 37.50	NA	\$ 37.50	\$ 37.50	\$ 37.50	0.0%
<b>Building Use Fees (Average)</b>	Auditoriums	Group A					258	300	350	16.7%
		Group B					100	120	150	25.0%
	Multipurpose Room:	Group A					150	150	175	16.7%
		Group B					65	70	80	14.3%
	Cafeterias	Group A					112.5	300	363	20.8%
		Group B					80	85	103	20.6%
	Classrooms	Group A					30	35	40	14.3%
		Group B					20	25	30	20.0%
	Gyms	Group A					300	400	463	15.6%
		Group B					80	120	150	25.0%
Stadiums	Group A					275	1,350	1,563	15.7%	
	Group B					67.5	283	325	15.0%	

## **Virginia Retirement System (VRS)**

The Virginia Retirement System (VRS) contribution rates are governed by state regulations. In FY 2009, the rates were 13.81% for professional employees (administrators, teachers, clerks, and paraprofessionals) and 7.62% for non-professional employees (maintenance workers, custodians, cafeteria staff, and bus drivers). These rates include the 5.00% employee share that is assumed by ACPS.

The VRS rate was estimated to be 14.31% for professional and 7.65% for non-professional employees. However, Governor Kaine's Executive Amendments to the 2008 -2010 Biennial Budget, released on December 17, 2008 proposes rates to be unchanged from FY 2009, or 13.81% for professional employees and 7.62% for non-professional employees.

Reducing the rate from the FY 2010 Proposed budget levels to the Governor's proposed level results in a savings of \$821,313.

<b>FY 2010 Proposed Budget</b>	<b>FY 2010 Projection as of 1/13/09 using Governor's proposal</b>	<b>Change from FY 2010 Proposed to FY 2010 Projection</b>
\$ 15,750,096	\$ 14,928,783	\$ (821,313)

## **City of Alexandria revenue update**

The City of Alexandria is still finalizing the revenue estimates for FY 2009 and FY 2010. FY 2009 as a whole will probably be worse because of some adverse settlements and refunds, but that should not affect the ACPS budget.

Furthermore, there should be no significant bottom line difference for 2010 from what the OMB staff estimated for the City Council retreat. However, there may be some changes among revenue categories. Preliminary readings indicate that real estate is slightly better, but some other revenue numbers are much worse and the total is coming in at about the same level. The real estate tax allowed under the resolution will still leave the city about \$40 million short overall of current services

### **Possible adjustments for final**

- The direct aid figures incorporate a budget of \$532,659 for K-3 class size reduction. However, a recent internal school-by-school analysis indicates that ACPS may only be eligible for approximately \$100,000 in class size reduction funds. An additional \$432,659 would be required to offset this revenue loss.
- The difference between the budget City appropriation and a 2% appropriation is \$890,155.
- Savings from the Virginia Retirement System (VRS) contribution rate reduction, \$821,313, may be available to offset either of these differences.
- Staff recommends making no adjustments until the state and city appropriations are finalized.