



# **CITIZENS BUDGET ADVISORY COMMITTEE**

**Recommendations For FY '15 Budget**

**February 18, 2014**

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## **I. Overview**

Our county, and specifically our schools, face a budget deficit. Current revenues are inadequate to fund operations as proposed by the Superintendent. Our county's Board of Supervisors has a choice: to fund, in whole or in part, the proposals contained in the Superintendent's proposed budget, or to maintain the status quo. This report focuses primarily on the "gap" between operating budget revenue and expenditures.

The Citizens Budget Advisory Committee (the "CBAC") does not recommend keeping the status quo. Our community is significantly shaped by the quality of its schools. No community can thrive with inadequate schools. Chesterfield has for years held its schools up as an example of great success juxtaposed against limited and declining spending. Chesterfield schools are now on a slightly downward trajectory. Past accolades are not indicative of future success. It is critical that measures be taken to ensure the current and future success of our schools and for the school system to meet the goals set forth in the Design for Excellence 2020. As recently stated by School Board Chairperson Diane Smith, the School Board is actively listening to the community and continues to welcome suggestions to close the "gap."

This committee's recommendations begin and end with support for students and teachers. A school system is only as strong as its instructors. In addition, this committee is not blind to the disparities that exist among various schools in the county. We are only as strong as our weakest link and, accordingly, the recommendations of this committee affect not only the school system as a whole but also intra-school considerations.

## **II. Acknowledgments**

We thank the School Board for organizing and endorsing the idea for this committee. Our community prides itself on having open and honest public institutions. The creation of the CBAC is an example of our collective march toward fulfilling that goal. We also thank Dr. Newsome and the entire staff for their time throughout this budgeting process. The committee found School Board members and school system staff to be open, supportive and flexible in responding to committee questions and requests for information. It has been an invaluable opportunity to learn about Chesterfield County Public Schools and its aspirations for our students and the community.

This is the CBAC's first year. Accordingly, the learning curve for committee members has been steep both in substance and in process. We acknowledge that it is difficult for anyone to grasp the entirety of the school system's budget process and the intricacies that funnel through the budget at every turn. The committee feels, however, that it was able to grasp enough of the key concepts to enable it to offer the recommendations contained in this report.

Differing viewpoints and open dialogue were welcomed throughout the process. One factor, however, unified the committee: each member cares deeply about Chesterfield County and, specifically, about the future of its schools.

We are grateful for the opportunity to sharpen our collective pencils and to assist the School Board in this budget process.

### **III. Background**

The CBAC was appointed in August, 2013. The School Board appointed the following members to the CBAC: Russ Carmichael, Bill Coronado, Leslie Haley, Douglas Harvey, Sam Kaufman, Barbara Mait, Jim Shultz, and Mary Sullins.

The stated purpose of the CBAC is:

*Assist the Superintendent and School Board in the evaluation and allocation of resources in accordance with the Strategic Plan to ensure a high quality, effective and efficient school division.*

The CBAC met seven (7) times. Meetings included presentations by staff, as well as discussions with the Superintendent, staff members, and School Board members. A particularly insightful meeting, held on October 15, 2013, included a lengthy discussion between the CBAC and a select group of principals, teachers and specialists.

### **IV. Summary of Recommendations**

More revenue is needed to fund our schools at adequate levels. In the short term, however, priorities must be set in order to balance the operating budget. This report assumes a lack of adequate revenue, and an unfunded mandate from the Commonwealth (VRS contributions), that makes it difficult to fund proposed expenditures in the Superintendent's proposed FY '15 budget. The CBAC has ranked each of the proposed expenditures and cuts in order of priority.

Most notably, student and teacher support rank at the top of the priority scale. Reduction in the pupil to teacher ratio ("PTR") and compensation increases for teachers are our top priorities.

### **V. Information Relied Upon**

The CBAC relied upon the following information in drafting this report:

- "An Eye on the Future" - presentation by the Chief Academic Officer - September 17, 2013.
- "FY2015 Budget Forecast" - presentation by the Assistant Superintendent for Business and Finance - November 19, 2013.
- "CCPS operating budget line item detail" - dollars and full time equivalent staffing (FTE) - approved FY2013 and approved FY2014.

- "FY2015 Budget Forecast" - presentation by the Assistant Superintendent for Business and Finance - December 10, 2013.
- "Superintendent's Proposed FY2015 Operating Budget" (January 28, 2014) - presentation by the Assistant Superintendent for Business and Finance - January 30, 2014.
- "FY2015 Superintendent's Proposed Budget" - spreadsheet forwarded by Carol Timpano to Citizens Budget Advisory Committee - January 31, 2014.

## **VI. Analysis**

### **a. Methodology**

The items addressed by the CBAC deal solely with the operating budget. The CBAC was not tasked with looking at the capital improvements budget even though funding of the capital improvement budget has ramifications for the operating budget. In the short term, a large number of items in the proposed FY '14-'15 are fixed. For example, nearly seventy percent (70%) of the proposed budget is allocated toward instructional salaries. Unless salaries are to be cut (a proposal that is not up for consideration), at least seventy (70%) of the budget is already fixed.

Accordingly, the CBAC focused on the purportedly discretionary items presented in the Superintendent's proposed budget. The Superintendent's proposed budget presented a list of proposed expenditures supporting students and staff, as well as possible reductions to help balance the budget. While seemingly discretionary, several of the proposed expenditures are actually items that were committed to in prior years and must be included in the budget. These items are identified as "Already Committed." The "Already Committed" items are placed into "1<sup>st</sup> tier" and "2<sup>nd</sup> tier" categories. The "1<sup>st</sup> tier" items are those that likely cannot be removed from the budget and are essentially already a part of the new base. The "2<sup>nd</sup> tier" items are those items for which commitments have been made but where there may be room for adjustments if necessary. It is unlikely adjustments can be made to 2<sup>nd</sup> tier line items. If pressed, however, the 2<sup>nd</sup> tier line items can be adjusted prior to the adjustment of the 1<sup>st</sup> tier line items.

The Proposed Expenditures identified as "Recommended" are the line items from the Superintendent's budget that will provide much needed support to students and teachers.

Each of the Proposed Expenditures is ranked and categorized. The items are ranked from low to high with a "1" rank meaning the item is a top priority, a "2" rank meaning the item is the next most important priority, etc.

The "Possible Reductions" identified in the Superintendent's proposed budget are also ranked. A "1" rank here means the item should be the first reduction considered. A "6" rank means the item should be the last reduction considered.

It is important to note that the “gap” has been a moving target throughout the CBAC’s existence. State and county funding affect the “gap.” As projections in the state and county budgets change, so goes the “gap.” The CBAC has therefore prioritized each of the proposed expenditures and reductions based on the Superintendent’s proposed budget without direct regard for the size of the “gap.”

b. Priority Rankings

i. **Proposed Expenditures (“Already Committed”)(1<sup>st</sup> tier)**

1. Annualizing 1/1/14 Salary Increase	\$2,940,000.00
2. Annualizing Health Care Costs	\$2,700,000.00
3. VRS Rate change	\$8,610,100.00

Total: \$14,250,100.00

ii. **Proposed Expenditures (“Already Committed”)(2<sup>nd</sup> tier)**

1. K-3 Class Size Reduction	\$935,000.00
2. CTC@Hull	\$1,500,000.00
3. Workers Compensation	\$2,200,000.00

Total: \$4,635,000.00

iii. **Proposed Expenditures (“Recommended”)**

1. Decrease PTR Division wide	\$6,271,000.00
2. Student Growth 473/150	\$1,418,000.00
3. 1% Salary Increase	\$3,800,000.00
4. Restore Tuition Reimbursement	\$850,000.00
5. Special Education Transportation	\$320,000.00
6. Transportation	\$754,000.00
7. Restore Level of Academic/Athletic Supp.	\$375,000.00
8. Instructional Substitutes	\$681,500.00
9. Safety Net Initiative	\$500,000.00
10. Homebound	\$458,300.00

Total: \$15,427,800.00

iv. **Possible Reductions**

1. Pilot Outsourcing of School Custodial Services	(\$1,500,000.00)
2. Reduce County Charges for Radio Shop and IT	(\$148,600.00)
3. Outsource Grounds Maintenance	(\$200,000.00)
4. Eliminate Behind the Wheel Driver’s Ed	(\$284,000.00)

5. Reduce Instructional Substitute Rec.	(\$340,000.00)
6. Eliminate Tuition Reimbursement Rec.	(\$850,000.00)

Total: (\$3,322,600.00)

c. Other Recommendations

i. Implementation of PTR Reductions. Reducing PTR across the entire school division is a major priority. In implementation, however, any budgeted decrease in PTR should be targeted to address the highest priority needs first. The School Board should identify the grade levels where a reduction in PTR is most needed and develop a strategy of implementation accordingly.

ii. Equitable Implementation. Information provided to the CBAC during this budget process underscored the disparities in quality of facilities and performance among certain of the county's schools. Most often, the disparities are tied to socio-economic indicators. This point was underscored when the CBAC was advised during one of its meetings that five (5) schools' preliminary state status for 2013 was "accredited with warning." All budget decisions should be made with consideration for the needs of the most academically challenged segments of the school population and the schools they attend.

iii. Categorizing Measures. The CBAC encourages the School Board to identify which of any "gap" closing measures are expected to be one-time revenue increases and/or cuts and which ones are expected to become part of the future base.

iv. Additional Efficiencies. Several efficiency improvements have been proposed during the current budget process (e.g., outsourcing janitorial services). The CBAC encourages the School Board to continually seek additional efficiency improvements that do not materially impact the quality of the educational experience. For example, is there an opportunity to create or partially consolidate certain employee categories into "pools," such that employees would be assigned from a central pool to schools or other locations as needed, rather than being permanently assigned to a particular school, thus being able to reduce the grand total number of employees in these categories? Employee categories that might fit this approach include classroom aides, clerical staff, and possibly others.

v. Centrally Managed Budget Contingency. The CBAC has not been advised on what provision the school system has in the operating budget for unanticipated revenue shortfalls and unanticipated major expenditure requirements that might occur during a fiscal year. Is there such a contingency budget or reserve provided for? Is there a formal policy on how much the contingency fund should be? Could the School Board adjust the contingency allowance to some extent for FY2015 to fund some of the remaining revenue versus expenditure gap? If there is a contingency fund or reserve, for what amounts and reasons was it used for each of the past three years?

vi. Multi-Year Forecast. The Superintendent should consider providing the School Board with a future multi-year forecast of revenue and expenditures as part of annual operating budget development.

vii. CBAC Review of Proposed Capital Improvement Plans. The Superintendent and the School Board should consider seeking CBAC review and recommendations on the capital improvement plan in addition to the operating budget.

viii. Public Awareness. Looking ahead, in addition to information disseminated with each budget cycle, the School Board should consider commissioning a broader, higher-level public awareness campaign focused on budget needs and the value and importance to all citizens and to the community of school system funding. While the CBAC is aware that not every citizen will take an interest in the budget process, we believe that information dissemination and citizen feedback are critical at every stage.

## **VII. Forward Looking**

We must continually look ahead. As Chesterfield County Public Schools begins to recover from extremely challenging financial times, we must keep in mind that today's actions and decisions are as much, if not more, about the long term future as they are about next fiscal year. The Citizens Budget Advisory Committee must be of some service and value to the School Board and to the Administration on an ongoing basis, or the CBAC should not continue. As we look forward to the next budget cycle, members of the CBAC will be reviewing the first year's experience and considering how the CBAC might be of continued and increased service. We request, as well, that the School Board, the Superintendent, and the Assistant Superintendent for Business and Finance consider first-year CBAC activity and provide suggestions and guidance on how CBAC might adjust its focus and activities to continue to be of service.

Thank you for this opportunity. We look forward to our continued service on this committee.

## Appendix I

<u>FY2015 Superintendent's Proposed Budget</u>	<u>Amount</u>	<u>RANK</u>	MEAN (/8)	MEDIAN (8 numbers)
Estimated Funds Available for FY2015	560,309,400			
FY2014 Approved Budget	534,509,400			
<b>Proposed Expenditure Increases to Support Students:</b>				
K-3 Class Size Reduction	935,000	33	4.125	4
Student Growth 473/150	1,418,000	43	5.375	4.5
Decrease PTR Divisionwide	6,271,000	36	4.5	4
Transportation	754,000	78	9.75	9.5
Special Education Transportation	320,000	77	9.625	8.5
Homebound	458,300	99	12.375	13
Career & Technical Center Program (CTC@Hull)	1,500,000	65	8.125	8
Safety net Initiative	500,000	99	12.375	12.5
<b>Proposed Expenditure Increases to Support Staff:</b>				
Annualizing 1/1/2014 Salary Increase	2,940,000	29	3.625	3
Annualizing Healthcare Costs	2,700,000	54	6.75	7
VRS Rate Change	8,610,100	81	10.125	9.5
1% Salary Increase	3,800,000	45	5.625	4.5
Restore Level of Academic/Athletic Supplements	375,000	79	9.875	10
Restore Tuition Reimbursement	850,000	67	8.375	8
Instructional Substitutes	681,500	97	12.125	12.5
Workers Compensation	2,200,000	106	13.25	15
<b>Total Expenditures</b>	<u>568,822,300</u>			
<i>Funding Needed from County and State to Balance Budget</i>	<i>(8,512,900)</i>			
<b>Possible reductions to begin closing gap</b>				
Eliminate tuition reimbursement recommendation	(850,000)	38	5.428	6
Pilot outsourcing of school custodial services	(1,500,000)	15	2.142	2
Eliminate behind-the-wheel driver education	(284,000)	25	3.571	4
Outsource grounds maintenance	(200,000)	19	2.714	3
Reduce county charges for radio shop and IT	(148,600)	19	2.714	2
Reduce instructional substitute recommendation	<u>(340,000)</u>	31	4.428	5
<i>Funding Needed from County and State to Balance Budget</i>	<i>(5,190,300)</i>			