



## FY 2017 Recommended Budget Budget Question

### Board Question #: 37

**BUDGET QUESTION:** When was the last time the County transferred funding to Schools based on a certain percentage? What was the percentage? What would the transfer look like for FY 2017 if we went back to that? Provide comparisons of County population and Schools enrollment as part of this.

**RESPONSE:** It appears that FY 2008 was the last year the recommended transfer to the Schools was based upon the Schools receiving 67% of the change in General Fund unrestricted local and state revenues. If that funding formula were in place for FY 2017, the Schools would receive an increase of \$2,515,860 from base revenue changes. If the recommended increase of two pennies on the tax rate for debt service were also added to that figure, the total increase in the transfer would be estimated at \$5,190,487.

Note that the 67% “funding formula” was a guideline for development of the recommended budget. It was not a policy, and the Board could choose to fund at the guideline level or some other level each budget season. Additionally, over time, the Board chose to dedicate revenues for such purposes as Fire/Rescue debt service, transfer of cash to the CIP, and transfer of the decal revenue to Transportation (and then later to balance the General Fund).

Years ago, County and Schools staff met to discuss the potential for developing a new formula. In preparation of those staff meetings, the following history of the Schools funding formula guideline was gathered. We provide it on the following pages for informational purposes.

Note the following changes in population from FY 2008 (the last time the funding guideline was used) to FY 2017.

FY	County	Schools
FY 2008	118,939	24,390
FY 2017	131,463	23,655
<b>Change</b>	<b>+12,524</b>	<b>-735</b>

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### HISTORY OF SCHOOL FUNDING FORMULA GUIDELINE

School local funding is a major share of the General Fund Budget. Many Virginia counties use funding formulas to determine the local share of School funding and formulas vary from County to County. Spotsylvania's formula was developed as follows:

- ◆ In the mid-1990's, the County Administrator directed County Budget staff to gather historical data on the transfer of local funds to the School Operating Fund. A five-year history (FY 91 through FY 95) was used to calculate the local transfer of operating funds as a percentage of General Fund "local, undesignated revenues". (This included some state funding which is not designated for specific programs.) The historical average of those transfers, excluding the transfer for debt service, was approximately 50% of those revenues.
- ◆ The Board established a funding formula guideline as 51% of local, undesignated revenues, plus the required School debt service for each year. The Board approved this guideline and also established a practice of transferring any unspent local funds back to the Schools in the subsequent fiscal year (carryover funds). The first resolution for the carryover was approved on 4/11/95 at the same time as the approval of the FY 95/96 Budget.
  - The formula has always been based on a share of undesignated revenues as defined above. At no point has the formula been a share of all General Fund revenues.
- ◆ During the preparation of the FY 2003 Budget, staff recommended, and the Board accepted, a change in the formula to provide 67% of local, undesignated revenues (using the same revenues as in the previous formula) for both operations and debt service. Again, the 67% figure was derived from the historical transfer for both operations and debt service.
- ◆ During the approval of the FY 2006 Budget, the Board approved tax increases specifically for public safety. When preparing the FY 2007 Budget, staff recommended, and the Board approved, a revision to the funding formula, to begin with the previous year's funding amount, plus 67% of the change in undesignated revenues. This change was made to ensure that the tax increases noted above remained designated for their approved purpose.
- ◆ The School funding formula is used as a guideline for the development of the Recommended Budget. During the Budget work sessions, the Board of Supervisors have revised the recommendation, as shown in the following table:

	<b>Guideline level</b>	<b>Approved Funding</b>	<b>Change</b>
FY2004	\$87,110,555	\$88,198,270	+\$1,087,715
FY2005	\$94,686,807	\$95,248,577	+\$561,770
FY2006	\$101,823,076	\$101,019,590	(\$803,486)
FY2007	\$110,498,245	\$109,165,396	(\$1,332,849)
FY2008	\$117,621,288	\$117,941,782	+\$320,494

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- ◆ Over time, the Board has chosen to designate additional revenues, such as for Transportation (motor vehicle license revenue), Economic Development (portion of meals tax), and Capital Projects (percentage of revenues). These designations have reduced the pool of undesignated revenues shared with the Schools.