

OVERVIEW OF REBENCHMARKING: PRELIMINARY COSTS FOR THE FY2016-2018 BIENNIUM

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Overview of the Rebenchmarking Process

- Rebenchmarking is the process of updating the state's costs of the Direct Aid programs into the new biennium and is based on a look back of local expenses from prior biennium
 - The updates are technical in nature and do not involve changes in any existing policies or current funding methodologies, other than those previously approved by General Assembly action
 - The input data used to calculate the cost of the Direct Aid accounts is updated every two years to recognize changes in costs that have occurred over the previous biennium
- Since 90% of state Direct Aid funding is budgeted for SOQ program accounts, SOQ funding is most impacted by the process; but Lottery, Incentive and Categorical funded accounts are also effect
- Because rebenchmarking updates the total funding public education, the state and local costs are revised to reflect the changes
 - On a statewide basis, the average cost sharing split is about 55% state and 45% local – the actual individual school division split is based on the Local Composite Index (LCI)

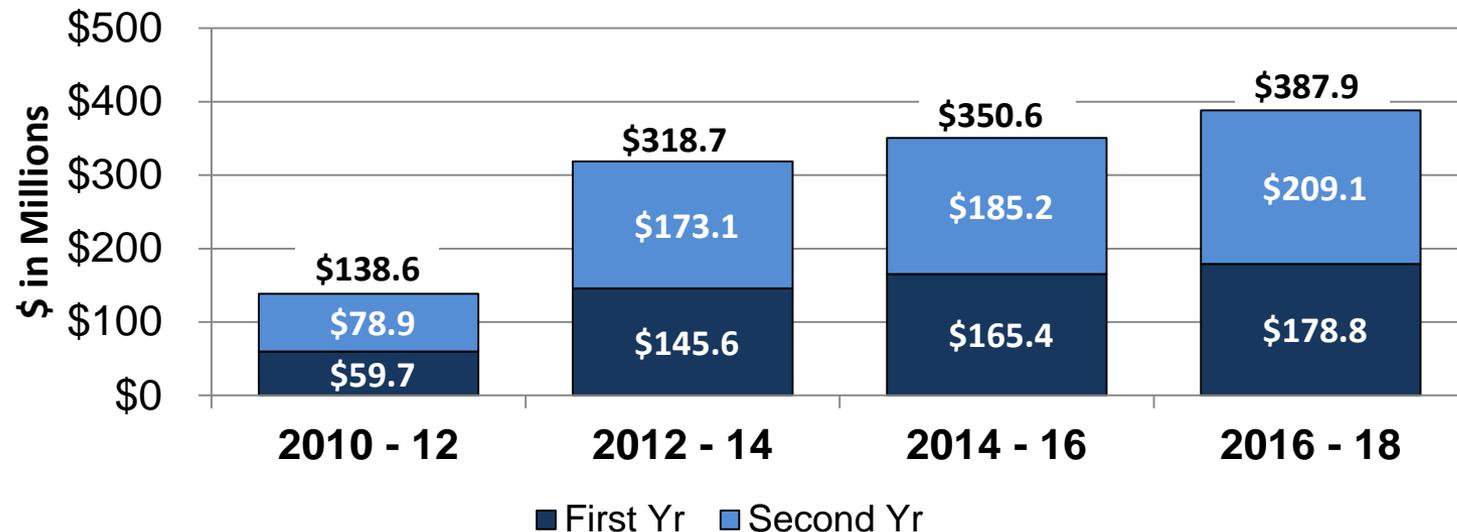
The 'Big Picture' Process

- SOQ funding is primarily driven by the instructional staffing standards in the Code of Virginia, §§22.1-253.13:1-10, and the salary and fringe benefit costs for the required instructional positions
- Basic Aid also includes funding for support positions and non-personal support costs on a statewide 'prevailing cost' basis
- Major components of the SOQ funding formula include:
 - Student data for September membership and March 31st ADM
 - Staffing standard ratios for instructional positions
 - Funded salaries for instructional positions
 - Fringe benefit rates – VRS, RHCC, GF, FICA, Health Care
 - Support costs (salary and non-salary)
 - Inflation factors - personal and non-personal costs
 - Federal revenue deducted from support costs
 - Sales tax revenue forecast
 - Local composite index (LCI)

Starting Rebenchmarking

- The adopted FY 2016 Direct Aid budget serves as the base year and is the starting point for rebenchmarking the next biennial budget for FY 2017 & FY 2018
- FY 2016 total budget (Chapter 665) equaled \$7.3 billion:
 - \$6,452.2 million - GF, Lottery, Literary, & Commonwealth Transportation
 - \$887.1 million - Federal funds
- In September, DOE reported the preliminary state's share of the rebenchmarking costs total at \$387.9 million

History of Preliminary Rebenchmarking Costs



Main Categories of Cost Drivers in the Preliminary Rebenchmarking \$387.9 Million

- The initial step in the rebenchmarking process has five major category groups that get updated in the preliminary cost estimates – the introduced budget will reflect changes to remaining pending data updates
 - Reset SOQ Model Base Data \$19.5 million
 - Personal Related Costs \$212.4 million
 - Student Related Data \$67.9 million
 - Non-personal Related Data \$37.9 million
 - Combination Program Accounts \$50.2 million
 - ▶ Incentive, Categorical, & GF impact from changes to Lottery-funded accounts

Main Drivers: Reset SOQ Model Base Data

<u>Reset SOQ Model Base Data</u>	FY 2017	FY 2018	Biennium
Restore the funding related to the preschool non-participation savings	\$23.3	\$23.4	\$46.7
Reset the inflation factors to 0% for personal support costs from 1.83%	(\$9.5)	(\$9.5)	(\$19.0)
Remove the one-time funding for preschool hold harmless slots	(\$3.5)	(\$3.5)	(\$7.0)
Remove the one-time funding for the Chesterfield/ Petersburg shared service agreement	(\$0.6)	(\$0.6)	(\$1.2)
Preliminary sub-total:	\$9.7	\$9.8	\$19.5

Main Drivers: Personal Related Costs

<u>Personal Related Data</u>	FY 2017	FY 2018	Biennium
Update SOQ instructional salaries to reflect prevailing base-year FY 2014 statewide averages	\$54.3	\$54.3	\$108.7
Update SOQ support positions cost with prevailing base-year FY 2014 ASR reported total salary costs and number of positions reported	\$31.2	\$31.3	\$62.5
Update division supt., board members & nurses prevailing salary costs	\$5.5	\$5.5	\$11.0
Adjust & annualize state's 1.5% salary incentive to updated prevailing instructional & support salary costs – the base budget includes \$52.7 million	\$6.3	\$6.6	\$12.9
Update support position cap ratio	(\$12.6)	(\$12.7)	(\$25.3)
Update health care premium cost	\$21.2	\$21.4	\$42.6
Preliminary sub-total:	\$106.0	\$106.4	\$212.4

SOQ Instructional Salaries Funded in Previous Adopted Budgets since 2010-12 and the Proposed 2016-18 Budget

Includes Adjustments for the Prevailing Averages and the State Funded Increases of 2.0% in FY2014 and 1.5% in FY2016

Instructional Positions	2010-12	2012-14	Percent Change	2014-16	Percent Change	2016-18	Percent Change	% Change 2010-12 to 2016-18
Elementary Teachers	\$43,904	\$45,118	2.80%	\$45,822	1.60%	\$47,185	3.00%	7.5%
Secondary Teachers	\$46,090	\$47,267	2.60%	\$48,125	1.80%	\$49,744	3.40%	7.9%
Elementary Asst. Principals	\$62,383	\$63,824	2.30%	\$65,037	1.90%	\$67,119	3.20%	7.6%
Secondary Asst. Principals	\$66,658	\$67,824	1.70%	\$68,863	1.50%	\$72,057	4.60%	8.1%
Elementary Principals	\$76,766	\$78,510	2.30%	\$79,796	1.60%	\$82,846	3.80%	7.9%
Secondary Principals	\$84,564	\$86,464	2.20%	\$87,954	1.70%	\$92,041	4.60%	8.8%
Instructional Aides	\$16,104	\$16,223	0.70%	\$16,613	2.40%	\$17,108	3.00%	6.2%

Salaries Funded in Previous Adopted Budgets since 2010-12 and the Proposed 2016-18 Budget

(Includes Prevailing Averages and the State Funded Increases of 2.0% in FY2014 and 1.5% in FY2016)

Support Positions	2010-12	2012-14	% Change	2014-16	% Change	2016-18	% Change	% Chng 2010-12 to 2016-18
School Board Member	\$4,639	\$4,992	7.61%	\$5,021	0.59%	\$5,149	2.55%	11.0%
Superintendent	\$132,141	\$136,376	3.20%	\$138,327	1.43%	\$148,078	7.05%	12.1%
Asst. Superintendent	\$106,021	\$109,678	3.45%	\$113,296	3.30%	\$120,082	5.99%	13.3%
Admin Technical/Clerical	\$36,629	\$37,754	3.07%	\$39,081	3.51%	\$41,273	5.61%	12.7%
Administration Administrative	\$68,991	\$74,874	8.53%	\$76,054	1.58%	\$78,594	3.34%	13.9%
Attend & Health Technical/Clerical	\$24,558	\$25,861	5.30%	\$26,948	4.20%	\$27,897	3.52%	13.6%
Attendance & Health Admin	\$54,139	\$55,477	2.47%	\$56,976	2.70%	\$60,114	5.51%	11.0%
Instructional Professional	\$64,105	\$66,473	3.69%	\$67,321	1.28%	\$70,381	4.54%	9.8%
Instructional Technical/Clerical	\$28,232	\$28,926	2.46%	\$29,520	2.05%	\$31,025	5.10%	9.9%
Oper & Mainten Professional	\$67,823	\$71,950	6.09%	\$72,776	1.15%	\$76,227	4.74%	12.4%
Oper & Mainten Technical/Clerical	\$26,888	\$27,419	1.98%	\$28,153	2.68%	\$29,330	4.18%	9.1%
School Based Clerical	\$29,092	\$27,917	(4.04%)	\$28,475	2.00%	\$29,798	4.65%	2.4%
School Nurse	\$33,378	\$34,647	3.80%	\$35,465	2.36%	\$36,340	2.47%	8.9%
Technology Professional	\$68,808	\$71,305	3.63%	\$72,445	1.60%	\$77,992	7.66%	13.3%
Technology Support Standard	\$39,705	\$41,813	5.31%	\$43,144	3.18%	\$47,172	9.33%	18.8%
Technology Technical/Clerical	\$30,411	\$32,563	7.08%	\$33,904	4.12%	\$35,609	5.03%	17.1%

Main Drivers: Student Related Data

<u>Student Related Data</u>	FY 2017	FY 2018	Biennium
Update with base-year FY 2014 fall membership, ADM and revise projected enrollment counts	\$0.9	\$21.1	\$22.0
Update special education child count data reported December 1, 2014	\$5.0	\$5.1	\$10.1
Update remedial summer enrollment and per pupil amount	\$2.9	\$4.9	\$7.8
Update gifted, instructional and support technology positions for enrollment	\$1.3	\$1.5	\$2.8
Update English as a Second Language enrollment projections	\$1.8	\$3.6	\$5.4
Update career and technical education enrollment to FY 2015	(\$0.7)	(\$0.8)	(\$1.5)
Update SOL failure rate data to FY 2014 and student free lunch eligibility to FY 2015	\$10.6	\$10.7	\$21.3
Preliminary sub-total:	\$21.8	\$46.1	\$67.9

Main Drivers: Non-personal Related Data and Combination Program Accounts

<u>Non-personal Related Data</u>	FY 2017	FY 2018	Biennium
Update expenditures to base-year FY 2014 for non-personal support costs	(\$37.6)	(\$37.2)	(\$74.8)
Update federal revenue deduct per pupil amount	\$26.8	\$26.9	\$53.7
Update textbooks per pupil amount	\$7.7	\$7.7	\$15.4
Update transportation costs	\$4.4	\$4.0	\$8.4
Apply inflation factor percentages to non-personnel costs	\$17.6	\$17.6	\$35.2
Preliminary sub-total:	\$18.9	\$19.0	\$37.9

<u>Combination Program Accounts</u>	FY 2017	FY 2018	Biennium
Update lottery-funded program accounts	\$20.8	\$25.5	\$46.3
Update incentive program accounts	\$1.0	\$1.0	\$2.0
Update categorical program accounts	\$0.5	\$1.4	\$1.9
Preliminary sub-total:	\$22.3	\$27.9	\$50.2

Main Drivers: Non-personal Related Data

**2016-2018 Inflation Factors
Applied to Non-personal Support Costs in SOQ Model for the 2016-2018 Biennium**

Inflation Factor	2014-16 Rates	2016-18 Rates	Percent Change
<u>Instructional:</u>			
Classroom Instruction	1.03%	2.56%	1.53%
Instructional Support	1.03%	2.53%	1.50%
Improvement	1.03%	2.44%	1.40%
Principal's Office	1.03%	2.51%	1.48%
<u>Miscellaneous:</u>			
Administration	1.03%	2.49%	1.46%
Attendance & Health	1.03%	2.57%	1.54%
Facilities	1.03%	3.28%	2.25%
Textbooks	1.02%	2.64%	1.62%
Pupil Transportation	1.03%	1.25%	0.22%

Inflation Factor	2014-16 Rates	2016-18 Rates	Percent Change
<u>Oper & Maintenance:</u>			
Utilities	1.05%	(3.33%)	(4.38%)
Communications	1.03%	3.15%	2.12%
Insurance	1.03%	2.64%	1.61%
Other	1.03%	2.64%	1.61%
<u>Fixed Charges:</u>			
Unemployment	1.03%	2.64%	1.61%
Workers Comp.	1.03%	2.64%	1.61%
Disability Insurance	1.03%	2.64%	1.61%
Other Benefits	1.03%	2.64%	1.61%
Health Care Prem.	0.00%	1.90%	1.90%

Remaining Data & Cost Updates for Rebenchmarking

- In addition to the \$387.9 million preliminary cost estimate from September, the Department of Planning and Budget just released updates to several of the remaining cost factors

	FY 2017	FY 2018	Biennium
<u>Preliminary cost (Sept)</u>	<u>\$178.8</u>	<u>\$209.1</u>	<u>\$387.9</u>
> Local Composite Index	25.2	25.4	50.6
> VRS @ 14.66%	17.7	17.8	35.5
> Retiree Health Care Credit @ 1.11%	1.4	1.4	2.8
> Group Life @ 0.47%	(0.2)	(0.2)	(0.4)
Revised Preliminary cost (Nov)	\$222.9	\$253.5	\$476.4

Remaining Data & Cost Updates for Rebenchmarking

- The introduced 2016-2018 Biennial Budget will reflect those remaining costs for rebenchmarking the last couple updates that are still pending
 - Data not yet available to DOE
- Secretary of Education and DPB staff have indicated that final total rebenchmarking costs may be in the neighborhood of about \$500 million for the biennium, so given that, we might expect to add an additional \$25 to \$75 million over the \$476.4 million
 - The table gives you a range of costs from previous years, and if their projections hold true, then we could be looking at the higher side of the ranges in the table

Remaining Data Updates	Range of <u>Preliminary</u> Costs from Last Four Rebenchmarking Cycles (\$ in millions)
Final update to Enrollment Projections (Sept 30, 2015 membership)	(\$151.4) - \$93.7
Revised Net Sales Tax revenues & Census Pop forecasts	(\$33.2) - \$53.3
Revised Lottery Proceeds revenue forecast	(\$39.6) - \$94.7
<p><u>New cost estimate</u> – DOE is working on how to account for actual free lunch percentage for those schools & divisions participating in Community Eligibility Program</p> <p>(Impacts state funding for the SOQ Prevention, Intervention and Remediation, School Breakfast & Lunch, VPI, At-Risk Add-on, K-3 Class Size Reduction, SOL Algebra Readiness program accounts)</p>	