



Christopher E. Martino  
Acting County Executive

**COUNTY OF PRINCE WILLIAM**  
OFFICE OF EXECUTIVE MANAGEMENT  
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BOARD OF COUNTY SUPERVISORS  
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September 14, 2016

**TO:** Board of County Supervisors

**FROM:** Michelle A. Casciato  
Director, Office of Management & Budget

**THRU:** Christopher E. Martino  
Acting County Executive

**RE:** County/Schools Revenue Sharing Agreement – Response to Board Directive 16-33

**I. Background** in chronological order is as follows:

- A. Role of the School Board with Regard to the Annual School Budget – The Constitution of Virginia vests the operations of public schools squarely with the School Board, and such operations include supervision of the expenditures made for such public schools. The School Board is required to prepare an annual budget that must fund operations designed to meet state-established minimum standards of quality in public education and may fund operations in excess of those minimum standards if deemed necessary by the School Board. Once the annual budget is adopted, the School Board is responsible for the oversight of expenditures to ensure that such expenditures are consistent with the Board of County Supervisors' (BOCS) appropriation.
- B. Role of the BOCS with Regard to the Annual School Budget – The role of the BOCS is to approve an annual school budget no later than May 15<sup>th</sup>. The BOCS reviews the School Board's proposed budget and may appropriate funding in one of two formats – either by lump sum or by classification. The nine classifications defined in the Virginia Code, Section 22.1-115 are as follows:
- Instruction;
  - Administration, Attendance & Health;
  - Pupil Transportation;
  - Operation & Maintenance;

- School Food Services & Other Non-Instructional Operations;
- Facilities;
- Debt & Fund Transfers;
- Technology; and
- Contingency Reserves.

The minimum funding level required by state code, also known as the required local expenditure, is that amount necessary to meet the state-established minimum standards of quality (SOQ) in public education, based upon the average daily student count. The BOCS is not required to fund operations in excess of the minimum, required local expenditure. Upon review, the BOCS may adopt an amount different from that requested by the School Board; but at a minimum, it must adopt the required local expenditure. The budget adoption must conform to one of the two allowable formats – lump sum or classification. The BOCS cannot adopt the School budget at the line item level.

- C. County/Schools Revenue Sharing Agreement – Prior to 1998, the County and Schools had an unofficial agreement whereby total general fund revenue was shared with 51% designated to Schools and 49% to the County. Because total general fund revenue included earmarked grants and agency revenue such as development fees and restricted-use funds such as E-911 revenue, a formal County/Schools agreement was developed in 1998.

Since 1998, the BOCS and School Board have relied upon a revenue sharing agreement to allocate local general revenues between the two entities. The agreement was incorporated into the County's adopted Five-Year Plan to provide a level of predictability for future growth. The 1998 revenue sharing agreement was adopted by the BOCS on December 8, 1998, (resolution #98-1032) and allocated 56.75% of all non-agency or general revenues to support School operations and 43.25% to County operations. Two subsequent amendments to the agreement are summarized as follows:

1. 2004 Amendment – In 2004, the General Assembly authorized two separate actions resulting in increased revenue to the County and Schools. First, the Commonwealth's sales tax rate increased from 3.5% to 4.0% (effective August 1, 2004) with half the proceeds designated for public education SOQ and the other half retained by the State to balance the State budget. This action resulted in PWC Schools receiving an additional \$18.4 million from the Commonwealth in FY2005 and \$23.0 million projected for FY2006 based on a full year of the tax increase.

The second action increased the Commonwealth's recordation tax rate from \$0.15 to \$0.25 per \$100 of value and became effective September 1, 2004. Because local recordation tax rates shall be one-third of the state rate, the County's local recordation tax rate automatically increased from \$0.050 to \$0.83 per \$100 of value without any action by the BOCS. Recordation tax revenue was projected to increase \$3.2 million in FY05 and \$3.9 million in FY06 based on a full-year of the rate increase.

On October 26, 2004, the BOCS approved resolution #04-1034 which modified the County/Schools Revenue Sharing Agreement. The County and Schools agreed to reclassify recordation tax revenue as agency revenue, thereby removing it from the revenue sharing calculation. The 43.25% share of the pre-2004 recordation tax rate (\$0.05) would continue to be used as general revenue for the County's general fund. The 56.75% share of the pre-2004 recordation tax rate (\$0.05) formerly provided to the Schools would be dedicated to transportation. The new revenue generated by the recordation tax rate increase (\$0.033) would also be dedicated to transportation. Resolution #04-1034 did not change the general revenue percentage split between the County (43.25%) and Schools (56.75%).

In summary, the Schools retained 100% of State funding increases for education (\$18.4 million in FY2005; \$23 million in FY2006) while the County retained 100% of recordation tax revenue beginning in FY06 for transportation (projected at \$7.3 million with \$3.4 million coming from what would have been the Schools' share of the recordation tax rate of \$0.05 and \$3.9 million generated from the increased recordation tax rate). This increased funding for two of the Board's adopted strategic goal areas.

Over time, sales tax has proven to be a much more stable revenue source for the Schools compared to recordation tax for the County. Since FY06, local sales tax revenue increased 29.0% (FY06 compared to FY16). Although the recordation tax generated \$18.6 million in FY06 due to the unprecedented real estate market, it collapsed along with the market in FY2008/2009. Since FY06, recordation tax revenue decreased 55.0% to \$8.4 million received in FY2016.

2. 2013 Amendment – The County/Schools revenue sharing agreement was amended on April 23, 2013, as part of the FY2014 budget by BOCS resolution #13-257 with 57.23% designated to

the Schools and 42.77% to the County. The new percentages were established to maintain County funding to the Schools consistent with the FY2014 advertised budget. The FY2014 advertised budget reflected a 3.6% average tax bill increase. The FY2014 adopted budget reflected a 2.3% average tax bill increase. The modified agreement ensured the School transfer did not decrease \$3.9 million in the adopted budget compared to the advertised budget.

- D. Revenue Sharing Agreements Utilized by Other Virginia Jurisdictions – There are other Virginia jurisdictions which use or have used various revenue and population formulae to determine the local share of school funding. Please see the following chart for a summary of current and past practices in other Virginia localities.

County/Schools Revenue Sharing Agreement

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Locality/School System	Has RSA	Had RSA	Developing	Notes
Arlington County	x			APS is expected to receive 46.6% of local tax revenues in Fiscal Year 2017. Fiscal planning begins with approved percentage from prior fiscal year and critical needs identified by the Schools, including enrollment growth, is considered a top funding priority.
Virginia Beach	x			A revenue agreement was first forged in 1997 but has been altered occasionally. Under the current agreement, which was adopted by both the City Council and the School Board Nov. 20, 2012, VBCPS receives 32.37 percent of the city's 14 general fund revenue streams generated by non-dedicated local taxes.
Chesapeake County	x			Transfers to Chesapeake Public Schools – Under revenue sharing procedures in place since 2004, most local tax revenues are shared with and allocated to Chesapeake schools on a formulaic basis. Initial allocations are based on projected revenues, but are trued-up after the end of each year. No set percentage
Manassas Park	x			No set percentage, City funding comprises 45% of Schools funding
Hampton	x			Increase by 0.51% from FY16 budget, no set percentage. \$71,471,416 of local contribution of funds makes up 35.6% of total revenues
Charlottesville-Albermarle Co.	x			The agreement provides that the County and the City shall contribute annually to a Revenue and Economic Growth Sharing Fund which is then divided between them pursuant to a formula based on the City's and County's population, "true real property tax rates" as determined by the Virginia Department of Taxation, and the assessed value of real property. Based on this formula, the agreement has required the County to pay the City a revenue sharing amount each year since 1983 in an amount that is approximately equivalent to revenue generated by ten cents of the County's tax rate. The revenue sharing payment in FY15 was \$16.46 million.
Roanoke Co.	x			The Schools Revenue Sharing Calculation establishes a mechanism to share County revenue with the Schools through the application of an agreed upon formula with no set percentage. Formula accounts for student enrollment increases relative to County population using a 3-year rolling average. A payroll factor is also applied to account for the percentage of Schools' budget that is attributable to personnel (accounts for inflexibility of School budget due to large personnel cost).
Loudoun Co.			x	No formal RSA in place, Developing agreement for upcoming fiscal year, loose revenue sharing model averages 58 percent to schools over past 10 years
Newport News		x		FY 09 was last year RSA was used, annual request made by School Board to City Council
Chesterfield County		x		Chesterfield County provides the School Board with a preliminary estimate of local funding to formulate its budget for the upcoming year. In FY2010, the traditional formula was replaced with an approach that begins with a baseline percentage of support for education and builds from there as needs dictate. FY 17 close to 52%

- E. Bond Ratings – Bond rating agencies have consistently cited the County’s strong financial management as a key strength supporting the County’s triple-A bond ratings. While the County/Schools revenue sharing agreement is not a prerequisite for triple-A bond ratings (many triple-A rated jurisdictions do not have such agreements), the agreement is one of many County policies that provides the foundation for financial stability when examined by bond rating agencies.
  
- F. Principles of Sound Financial Management (PSFM) – The PSFM approved by the BOCS in March 2016 contains Policy 2.04 which states, “the Five-Year Plan shall provide for the County-School Revenue Sharing Agreement which splits the County’s General Revenues with the Schools in accordance with the existing agreement approved by the Board of County Supervisors.”
  
- G. Use of Recordation Tax Revenue to Fund Transportation – Over the past five years, budget committees have recommended that the Board change its current policy of using recordation tax for transportation and restore it as a general revenue to be split with the schools.

Recordation Tax Revenue - Current Policy					
	FY2017	FY2018	FY2019	FY2020	FY2021
Recordation Tax (County General Revenue)	\$1,890,000	\$1,930,000	\$1,970,000	\$2,010,000	\$2,050,000
Recordation Tax (Transportation)	\$5,450,000	\$5,560,000	\$5,670,000	\$5,780,000	\$5,900,000
<b>Total Recordation Tax Revenue</b>	<b>\$7,340,000</b>	<b>\$7,490,000</b>	<b>\$7,640,000</b>	<b>\$7,790,000</b>	<b>\$7,950,000</b>
<b>Summary of Recordation Tax (Transportation Debt Service)</b>					
Linton Hall Road	\$924,330	\$896,509	\$863,182	\$828,802	\$794,980
Minnieville Road (Old Bridge - Caton Hill)	\$1,433,194	\$1,392,114	\$1,384,492	\$1,295,047	\$1,352,514
Parkway Intersection at Minnieville	\$124,575	\$121,150	\$122,739	\$151,783	\$152,097
Parkway Intersection at Old Bridge	\$143,399	\$139,455	\$141,286	\$174,681	\$174,996
Rollins Ford Road	\$668,046	\$656,316	\$639,630	\$621,606	\$621,606
Route 1 (Neabsco Mills to Featherstone)	\$940,832	\$913,717	\$900,479	\$620,451	\$707,972
Spriggs Road	\$646,604	\$627,482	\$636,356	\$748,648	\$755,163
	<b>\$4,880,980</b>	<b>\$4,746,743</b>	<b>\$4,688,163</b>	<b>\$4,441,020</b>	<b>\$4,559,328</b>
Unallocated Recordation Tax for Transportation - Contribution to Fund Balance	\$569,020	\$813,257	\$981,837	\$1,338,980	\$1,340,672

- H. Capital Costs and Debt – The Schools’ proposed budget includes a capital improvement program that outlines funds required for the renovation of existing facilities and the construction of new facilities. The School Board cannot issue debt for the construction of new facilities; that is the responsibility of the BOCS. Funding for these capital improvements is included in the Schools total budget. Debt incurred for the Schools’ capital projects does count toward the debt ceilings adopted in the Principles of Sound Financial Management - annual net tax-supported debt service expenditures shall not exceed 10% of annual revenues, and

total bonded debt will not exceed 3% of the net assessed valuation of taxable real and personal property in the County. The debt service on bonds issued to finance School capital projects is included in the Schools' budget.

- I. Other County-Funded Services Provided to Schools – The BOCS and the School Board have developed partnerships for specific services that are not included in the revenue sharing agreement. These include the following.
  1. School Resource Officers – The County provides a full-time police officer at each middle and high school physically located in the County. Currently, there are 12 high school sites and 16 middle school sites. The budgeted FY17 cost is \$2.5 million.
  2. New Horizons Therapists – The County provides a full-time therapist at each high school for the New Horizons program to address youth substance abuse issues. In FY17, it is expected that 1,100 students will receive services at a budgeted cost of \$0.9 million.
  3. School Sports Fields – 267 acres of elementary and middle school sports fields are maintained by the County at specified service levels so that the County Department of Parks and Recreation can schedule the fields during non-school hours for sports league use. The budgeted cost in FY17 is \$1.3 million.
  
- J. Other Revenues Shared with the Schools – There are two other revenues transferred to the Schools outside of the general revenue agreement. These are:
  1. Cable Franchise Capital Grant – The Schools share (57.23%) is budgeted at \$0.85 million in FY17.
  2. Federal Government Reimbursement – The County receives a reimbursement for a portion of the federal Build America Bonds (BABs) and Qualified School Construction Bonds (QSCBs) financing for the Schools capital projects. The budgeted transfer to the Schools is \$1.38 million in FY17.
  
- K. Other Service Partnerships – The County and the Schools are partners in many other service areas. These include the Community Policy and Management Team (CPMT) for at-risk youth activity, the infant and toddler early intervention program, and educating youth detained in the Juvenile Detention Center or living in the Homeless Prevention Center,

and issuing Schools debt for capital projects, among others. These partnerships involve services only; no funding is transferred between the County and the Schools.

- L. Comprehensive Services Act (CSA) Requirements – The CSA establishes a pool of state funds, to be matched with local funds, to purchase private day and residential special educational services for at-risk youth. The State/County split is 66% State, 34% County. The County is the fiscal agent for the funding pool; therefore, the County’s Department of Social Services budget pays for both educational and youth service expenditures. These payments are in addition to the School transfer appropriation made through the revenue sharing agreement. In FY06, the Schools began paying the County \$256,000 to cover the local match for education, with a 3% escalation each year.
- M. Unassigned Fund Balance – Maintaining unassigned fund balance at 7.5% of general fund revenue is shared between the County and Schools in accordance with the County/Schools revenue sharing agreement.

**II. Current Situation is as follows:**

- A. FY2017 Schools Budget – On May 6, the BOCS approved Resolution 16-440 (see Attachment B) which approved the FY17 Schools budget and appropriated \$1,435,906,641 by lump sum.
- B. FY2016 State Standards of Quality Required Local Effort – The State will provide the FY17 required local effort funding amount in January 2017. The FY16 state-required local effort funding for Prince William County was \$204,278,179.
- C. Schools/County Revenue Sharing Agreement – The BOCS appropriated \$526,177,581 in FY17 general revenue to the Schools, in compliance with the existing revenue sharing agreement.
- D. General Fund Cost of County Service Provided to the Schools – The County will spend \$4.7 million in FY17 for school resource officers, New Horizon therapists and school sports field maintenance from the County’s share of general revenue. If the cost of these Schools-dedicated services were added to the FY17 general revenue transfer to the Schools, the Schools share of the general revenue would increase to 57.75% and the County’s share would decrease to 42.25%.
- E. Recordation Tax Revenue – The FY2017 Budget includes \$7,340,000 in recordation tax revenue for the County, \$5.45 million of which is for transportation. If recordation tax revenue was shared with the Schools, the



Schools would have received \$4,200,862 and the County would have received \$3,139,318.

Recordation Tax Revenue Split with Schools - New Scenario					
	FY2017	FY2018	FY2019	FY2020	FY2021
Recordation Tax Revenue - Schools Share (57.23%)	\$4,200,682	\$4,286,527	\$4,372,372	\$4,458,217	\$4,549,785
Recordation Tax Revenue - County Share (42.77%)	\$3,139,318	\$3,203,473	\$3,267,628	\$3,331,783	\$3,400,215
Total Recordation Tax Revenue	\$7,340,000	\$7,490,000	\$7,640,000	\$7,790,000	\$7,950,000
Recordation Tax Revenue Reduction to County	(\$4,200,682)	(\$4,286,527)	(\$4,372,372)	(\$4,458,217)	(\$4,549,785)

- F. Impact of CSA Educational Expenditures on County Services – The total CSA educational cost for Prince William County residents has increased 600% over the past ten years, from \$598,616 in 2006 to \$4,140,363 in 2015. In 2015, only 18% of the \$1.4 million local match was paid by the Schools; the At-Risk Youth and Families program in the Department of Social Services covered the remaining 82%. The increasing cost to provide CSA services is negatively impacting the ability of the department to provide other services to at-risk youth and their families. In FY15, the County’s local match for education, after the transfer from the Schools, was \$1.1 million. Therefore, \$1.1 million was diverted from potential services for At-Risk Youth and Families to cover the local match for CSA-eligible educational expenditures.
- G. BOCS Directive – On May 6, 2016, Supervisor Anderson issued a directive to schedule a work session on the County/Schools revenue sharing agreement and discuss alternatives.
- H. Legal Issues – A separate memorandum on legal issues will be provided by the County Attorney.
- I. Board Action Requested – This report is provided for information only; no BOCS action is requested.

Attachment A – Selected Educational Metrics

Attachment B – Schools FY17 Budget Adoption Resolution

Staff Contact: Michelle A. Casciato, ext. 5539

**Attachment A - Selected Education Metrics for Virginia Localities**

*Source: Washington Boards of Education Reports (available at <http://www.fcps.edu/fs/budget/>)*

<b>Per Pupil Local Funding</b>							
	<b>FY2000</b>	<b>FY2016</b>					
Alexandria	\$9,848	\$16,561					
Arlington	\$10,579	\$18,616					
Fairfax	\$8,203	\$13,718					
Falls Church	\$10,618	\$18,032					
Loudoun	\$6,890	\$12,700					
Manassas	\$7,951	\$12,393					
Prince William	\$6,708	\$10,724					
<b>Average Teacher Salary</b>							
	<b>FY2000</b>	<b>FY2016</b>					
Alexandria	\$49,385	\$74,432					
Arlington	\$50,652	\$78,002					
Fairfax	\$48,497	\$67,589					
Falls Church	\$47,567	\$76,495					
Loudoun	\$42,177	\$65,581					
Manassas	\$41,294	\$64,121					
Prince William	\$41,389	\$64,523					
<b>SAT Scores</b>		<b>SAT - Avg Math Score</b>		<b>SAT - Avg Verbal Score</b>			
	<b>FY2000</b>	<b>FY2016</b>	<b>FY2000</b>	<b>FY2016</b>			
Alexandria	480	478	481	481			
Arlington	529	570	528	563			
Fairfax	553	571	541	556			
Falls Church	592	592	603	595			
Loudoun	517	541	526	543			
Manassas	513	478	517	487			
Prince William	505	508	519	510			
<b>Students per Classroom Teacher</b>							
	<b>Elem</b>	<b>Elem</b>	<b>Middle</b>	<b>Middle</b>	<b>High</b>	<b>High</b>	
	<b>FY2000</b>	<b>FY2016</b>	<b>FY2000</b>	<b>FY2016</b>	<b>FY2000</b>	<b>FY2016</b>	
Alexandria	20.7	16.5	20.7	22.5	17.7	26.0	
Arlington	18.3	19.6	19.8	20.1	19.9	19.6	
Fairfax	22.6	22.3	20.2	24.6	19.4	25.8	
Falls Church	21.8	22.7	23.4	24.2	16.0	19.9	
Loudoun	22.0	23.0	21.6	22.3	26.6	24.8	
Manassas	22.0	21.7	23.0	23.9	19.0	26.1	
Prince William	22.1	22.7	19.6	29.6	17.6	30.3	

**MOTION: CADDIGAN**

**May 6, 2016  
Regular Meeting  
Res. No. 16-440**

**SECOND: NOHE**

**RE: BUDGET AND APPROPRIATE FISCAL YEAR 2017 SCHOOLS  
BUDGET**

**ACTION: APPROVED**

**WHEREAS**, Prince William County Schools held a duly advertised public hearing on March 16, 2016 on the Schools FY2017 Proposed Budget and Capital Improvement Program in accordance with Section 15.2-2506 VA Code Ann.; and

**WHEREAS**, the Prince William County School Board approved and submitted the Schools FY2017 Proposed Budget and Capital Improvement Program for consideration by the Prince William Board of County Supervisors on April 5, 2016; and

**WHEREAS**, the County/Schools revenue sharing agreement provides 57.23% of general revenue, excluding recordation tax revenue, to the Schools; and

**WHEREAS**, the School Division budget is supported by a general fund transfer of \$526,177,581 and cable television capital grant revenue of \$847,290; and

**WHEREAS**, the School Division budget is supported by an additional general fund transfer of \$1,384,746 to provide reimbursements from the federal government for costs associated with Build America Bonds and Qualified School Construction Bonds that are paid by the School Division from the Debt Service Fund;

**NOW, THEREFORE, BE IT RESOLVED** that the Prince William Board of County Supervisors does hereby budget and appropriate the following Fiscal Year 2017 Schools budget by fund total as follows:

<b><u>Description</u></b>	<b><u>Amount</u></b>
Operating Fund	\$ 990,713,694
Debt Service Fund	\$ 88,351,647
Construction Fund	\$ 141,872,070
Food Service Fund	\$ 50,111,937
Warehouse Fund	\$ 4,750,000
Facilities Use Fund	\$ 1,367,269
Self-Insurance Fund	\$ 5,319,343
Health Insurance Fund	\$ 98,346,501
Regional School Fund	\$ 51,300,000
Governor's School @ Innovation Park	\$ 877,945
Aquatics Center	\$ 2,266,235
School Age Child Care Program Fund	\$ 630,000
<b>Total</b>	<b>\$1,435,906,641</b>

May 6, 2016  
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**BE IT FURTHER RESOLVED** that the Prince William Board of County Supervisors does hereby approve the following Fiscal Year 2017 School Division budget by state category as follows:

<u>Description</u>	<u>Amount</u>
Instruction	\$ 807,161,521
Administration, Health & Attendance	\$ 30,953,402
Pupil Transportation	\$ 59,272,048
Operations and Maintenance	\$ 80,286,794
Food Services and Non-Instructional Funds	\$ 164,161,080
Facilities	\$ 166,774,539
Technology	\$ 38,945,610
Debt Service	\$ 88,351,647
<b>Total</b>	<b>\$1,435,906,641</b>

**BE IT FURTHER RESOLVED** that some adjustment between amounts budgeted within the specific categories of funding outlined by the Commonwealth may be required at a later date provided that said adjustments do not exceed the total of funds budgeted and appropriated herein;

**BE IT FURTHER RESOLVED** that the Prince William Board of County Supervisors authorizes the Schools Division to retain unexpended Fiscal Year 2016 funds to support the Fiscal Year 2017 school budget;

**BE IT FURTHER RESOLVED** that the Prince William Board of County Supervisors does hereby authorize the conversion of the Fiscal Year 2017 Budget and all fund balances into the new fund structure in the Ascend financial management system;

**BE IT FURTHER RESOLVED** that the Prince William Board of County Supervisors does hereby authorize the administrative adjustment of the adopted budgets to conform to defined program and internal service fund structures.

**May 6, 2016**  
**Regular Meeting**  
**Res. No. 16-440**  
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**Votes:**

**Ayes:** Anderson, Caddigan, Jenkins, Nohe, Stewart

**Nays:** Candland, Lawson, Principi

**Absent from Vote:** None

**Absent from Meeting:** None

**For Information:**

Schools Superintendent


Management and Budget Director

Finance Director

ATTEST: \_\_\_\_\_



Clerk to the Board



Prince William County Government  
Board of County Supervisors

## Response to Directive 16-33: County/Schools Revenue Sharing Agreement

*Michelle A. Casciato  
Office of Management & Budget  
September 20, 2016*

### State Code Funding Requirement

- Sufficient funds to at least satisfy the Virginia Standards of Quality in the amount established by the state
  - ◆ Va. Code §§ 22.1-253.13:1, et. seq.
- Locality can appropriate local funds as a lump sum total or by the major classifications identified by the state
  - ◆ Va Code § 22.1-115

Response to Directive 16-33 County/Schools Revenue Sharing Agreement | 9/20/2016

## PWC Schools Budget

- **FY16 State Standards of Quality Required Local Effort for Education**
  - ◆ Prince William County - \$204,278,179
  - ◆ FY17 Budgeted Local Effort - \$526,177,581
  - ◆ Compliant with both the state requirement and the existing revenue sharing agreement
- **PWC BOCS approves the Schools budget and appropriates funding in a lump sum amount**

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## FY2017 Schools Budget

Instruction	\$ 807,161,521
Administration, Health & Attendance	30,953,402
Pupil Transportation	59,272,048
Operations and Maintenance	80,286,794
Food Services/Non-Instructional Funds	164,161,080
Facilities	166,774,539
Technology	38,945,610
Debt Service	88,351,647
Contingency Reserve	-0-
<b>Total</b>	<b>\$1,435,906,641</b>

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## Revenue Agreement History

- Revenue sharing agreement established in December 1998
  - ◆ Primary goal was to establish consistent funding for capital planning
  - ◆ General revenues support both organizations
  - ◆ Schools 56.25%; County 43.25%
- Jointly amended October 2004
  - ◆ Increased ongoing state funding for schools
  - ◆ Recordation revenue reserved for county transportation projects (74%) and general fund expenses (26%)
- BOCS amended revenue split April 2013
  - ◆ Held schools harmless at 3.6% funding level while reducing tax bill increase to 2.5%
  - ◆ Schools 57.23%; County 42.77%

Response to Directive 16-33 County/Schools Revenue Sharing Agreement | 9/20/2016

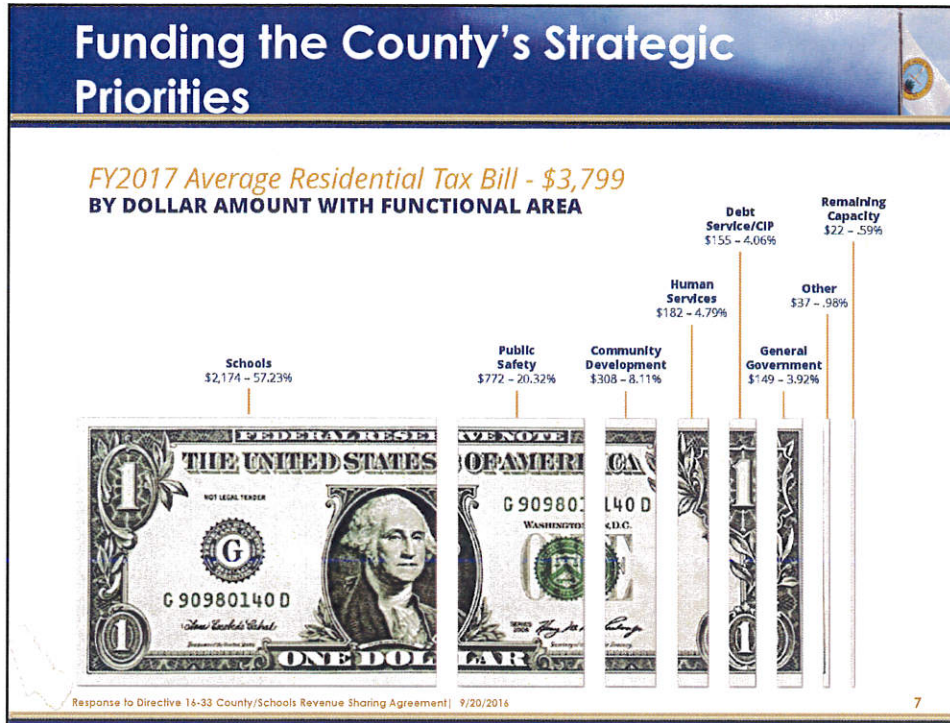
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## Strategic Goal Areas 2013 - 2016

Response to Directive 16-33 County/Schools Revenue Sharing Agreement | 9/20/2016

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## Policy Goals Will Drive Options

Desired Goal	Potential Options
Transparency	Use FY17 as base budget in all years; School Board justifies new initiatives prior to BOCS providing new funding
Consistency	Create funding metric per student and only increase annual funding for student population growth
Accountability	Legislative change <ul style="list-style-type: none"> <li>- Referendum to undo direct election of school board</li> <li>- Lobby for elected school boards to have taxing authority</li> </ul>
More Capacity	Initiate new sources of revenue

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## Recordation Tax Revenue

- 74% reserved for transportation expenses
  - ◆ Used for county transportation debt service
- 26% to County general expenses

Recordation Tax Revenue - Current Policy

	FY2017	FY2018	FY2019	FY2020	FY2021
Recordation Tax (County General Revenue)	\$1,890,000	\$1,930,000	\$1,970,000	\$2,010,000	\$2,050,000
Recordation Tax (Transportation)	\$5,450,000	\$5,560,000	\$5,670,000	\$5,780,000	\$5,900,000
Total Recordation Tax Revenue	\$7,340,000	\$7,490,000	\$7,640,000	\$7,790,000	\$7,950,000

## FY17 Budget Change

- Prior to FY17, recordation tax revenue was maximized to pay for road debt service
- FY17 budget included \$6M NVTa funding for transit, which reduced cash-to-capital and matching grant fund opportunities for road projects
- No new road debt service added in Five-Year Plan
  - ◆ Unallocated recordation tax revenue will generate approximately \$5M by 2021 for road projects

## If Recordation Tax is Included in Current Revenue Split

- Schools would gain \$4.2M in FY17
- County would lose \$4.2M in FY17 which pays for existing road debt service

Recordation Tax Revenue Split with Schools - New Scenario

	FY2017	FY2018	FY2019	FY2020	FY2021
Recordation Tax Revenue - Schools Share (57.23%)	\$4,200,682	\$4,286,527	\$4,372,372	\$4,458,217	\$4,549,785
Recordation Tax Revenue - County Share (42.77%)	\$3,139,318	\$3,203,473	\$3,267,628	\$3,331,783	\$3,400,215
<b>Total Recordation Tax Revenue</b>	<b>\$7,340,000</b>	<b>\$7,490,000</b>	<b>\$7,640,000</b>	<b>\$7,790,000</b>	<b>\$7,950,000</b>
Recordation Tax Revenue Reduction to County	(\$4,200,682)	(\$4,286,527)	(\$4,372,372)	(\$4,458,217)	(\$4,549,785)

## Growing CSA Education Cost Impact

- At-Risk Youth & Family Services budget is adversely affected by growth of CSA-eligible educational expenses

TOTAL ARYFS EXPENDITURES for EDUCATION  
CSA Eligible Expenses for Education

	Private Day	Residential	Combined Total	State Share	Local Share	PWCS Trans	County Net
2015	\$2,884,704	\$1,253,644	\$4,140,363	\$2,726,843	\$1,413,520	\$256,073	\$1,157,447
2014	\$1,655,937	\$1,558,737	\$3,216,688	\$2,118,511	\$1,098,177	\$248,615	\$849,562
2013	\$1,482,457	\$1,843,472	\$3,327,942	\$2,191,783	\$1,136,159	\$241,374	\$894,785
2012	\$923,328	\$2,123,589	\$3,048,929	\$2,008,025	\$1,040,904	\$238,278	\$802,626
2011	\$698,133	\$1,736,486	\$2,436,630	\$1,604,764	\$831,865	\$221,265	\$610,600
2010	\$473,217	\$1,426,927	\$1,902,154	\$1,252,759	\$649,396	\$221,265	\$428,131
2009	\$277,888	\$1,154,293	\$1,434,190	\$944,557	\$489,632	\$221,265	\$268,367
2008	\$248,088	\$886,593	\$1,136,689	\$748,624	\$388,066	\$214,820	\$173,246
2007	\$127,486	\$584,051	\$713,544	\$469,940	\$243,604	\$211,645	\$31,959
2006	\$193,800	\$402,810	\$598,616	\$394,248	\$204,367	\$204,488	(\$121)

\$5,216,603 FY 2006-2015

## Sensitivity Analysis

- 1% change in general revenue split = \$9.5M
- 0.25% change = \$2.4M

FY2018 General Revenue (Does Not Include Recordation Tax)

Schools Share	School Revenue	Revenue Change	Cumulative Revenue Change	County Share	County Revenue	Revenue Change	Cumulative Revenue Change
54.00%	\$515,845,492	(\$2,388,173)	(\$30,855,202)	46.00%	\$439,423,937	\$2,388,173	\$30,855,202
55.00%	\$525,398,186	(\$2,388,174)	(\$21,302,508)	45.00%	\$429,871,243	\$2,388,174	\$21,302,508
56.00%	\$534,950,880	(\$2,388,174)	(\$11,749,814)	44.00%	\$420,318,549	\$2,388,174	\$11,749,814
57.00%	\$544,503,575	(\$2,197,119)	(\$2,197,119)	43.00%	\$410,765,854	\$2,197,119	\$2,197,119
<b>57.23%</b>	<b>\$546,700,694</b>	<b>\$0</b>	<b>\$0</b>	<b>42.77%</b>	<b>\$408,568,735</b>	<b>\$0</b>	<b>\$0</b>
58.00%	\$554,056,269	\$2,388,174	\$7,355,575	42.00%	\$401,213,160	(\$2,388,174)	(\$7,355,575)
59.00%	\$563,608,963	\$2,388,173	\$16,908,269	41.00%	\$391,660,466	(\$2,388,173)	(\$16,908,269)
60.00%	\$573,161,657	\$2,388,173	\$26,460,963	40.00%	\$382,107,772	(\$2,388,173)	(\$26,460,963)
61.00%	\$582,714,352	\$2,388,174	\$36,013,658	39.00%	\$372,555,077	(\$2,388,174)	(\$36,013,658)