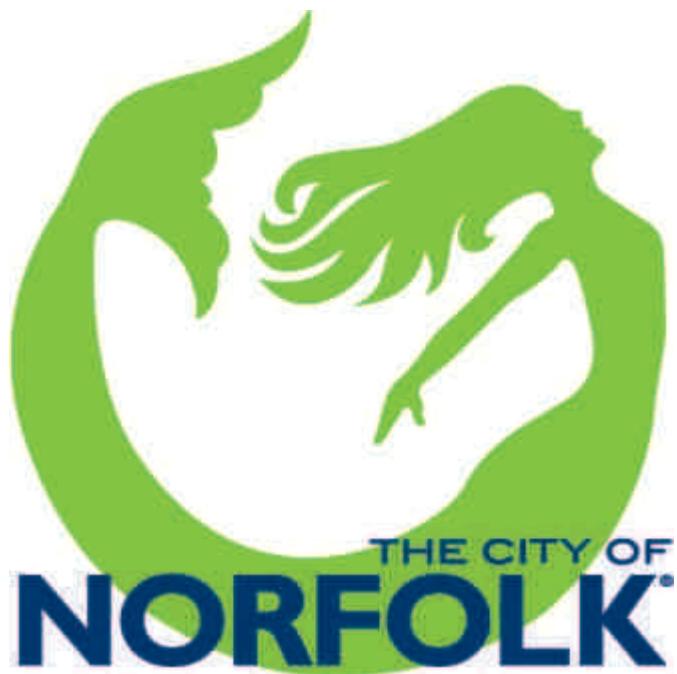


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# Public School Education

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# NORFOLK PUBLIC SCHOOLS

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## MISSION STATEMENT

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The mission of Norfolk Public Schools (NPS), the cornerstone of a proudly diverse community, is to ensure all students maximize their academic potential, develop skills for lifelong learning, and are successful contributors to a global society, as distinguished by:

- Courageous advocacy for all students
- Family and community investment
- Data-driven personalized learning
- Strong and effective leadership teams
- Shared responsibility for teaching and learning
- Access to rigorous and rewarding college and career readiness opportunities

## DIVISION OVERVIEW

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NPS is the largest urban school division and the seventh largest division overall in the Commonwealth of Virginia. The division enrolls a racially and economically diverse population of approximately 26,000 students, supported by more than 4,600 employees in 49 facilities. The educational philosophy of the division is based on the belief that all children can achieve at high levels and that it is the responsibility of the staff and community to ensure each child reaches his or her highest potential.

NPS has a variety of programs to meet the needs of students. Programs within the traditional school setting include those for students with special needs, English as a Second Language, Title I, and Gifted Education. Auxiliary facilities house programs for students who need an alternate educational setting, as well as opportunities for trade and technical education. There are full-day kindergarten programs in all elementary schools except for those schools with grades three through five. There are three early childhood centers for three- and four-year-old children and pre-kindergarten programs in all elementary schools except those serving only grades three through five.

## LEGAL AUTHORIZATION

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Pursuant to Virginia law, all school divisions are fiscally dependent on the local government. As a fiscally dependent school division, NPS does not levy taxes or issue debt. All funds are appropriated to Norfolk Public Schools by the Norfolk City Council, which has authority to tax and incur debt.

The School Board derives its authority from the Commonwealth and has the constitutional responsibility to provide public education to the residents of Norfolk.

## SCHOOL FUNDING

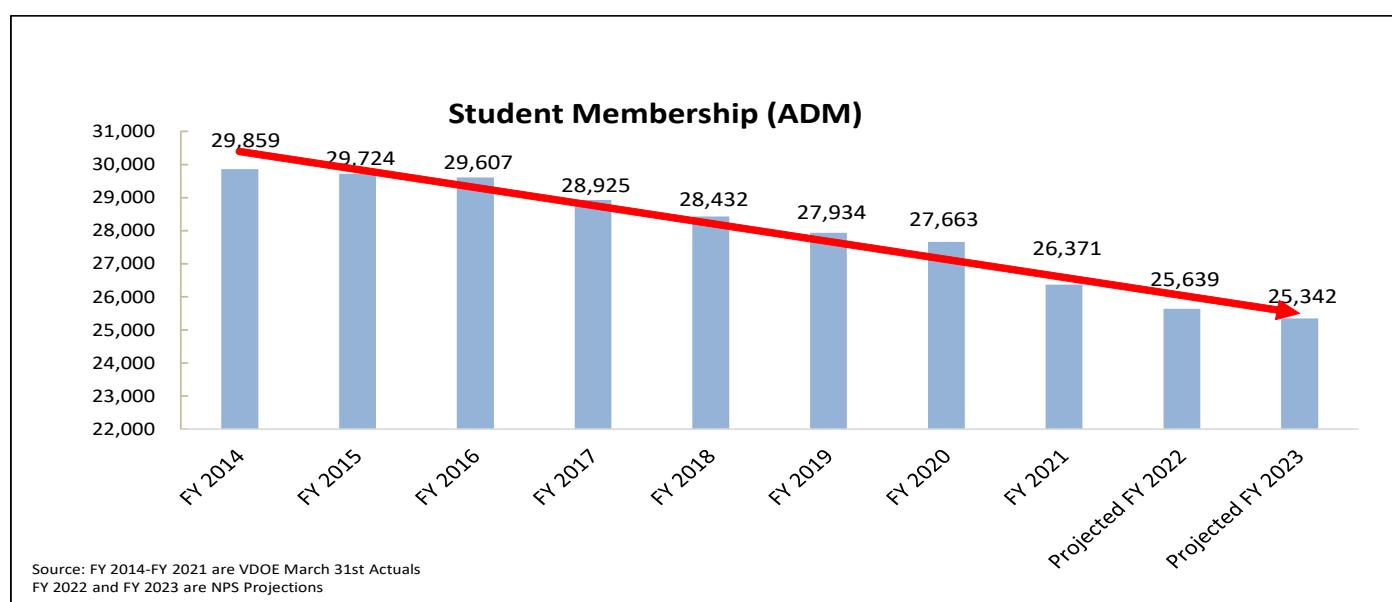
The division receives financial support from several sources:

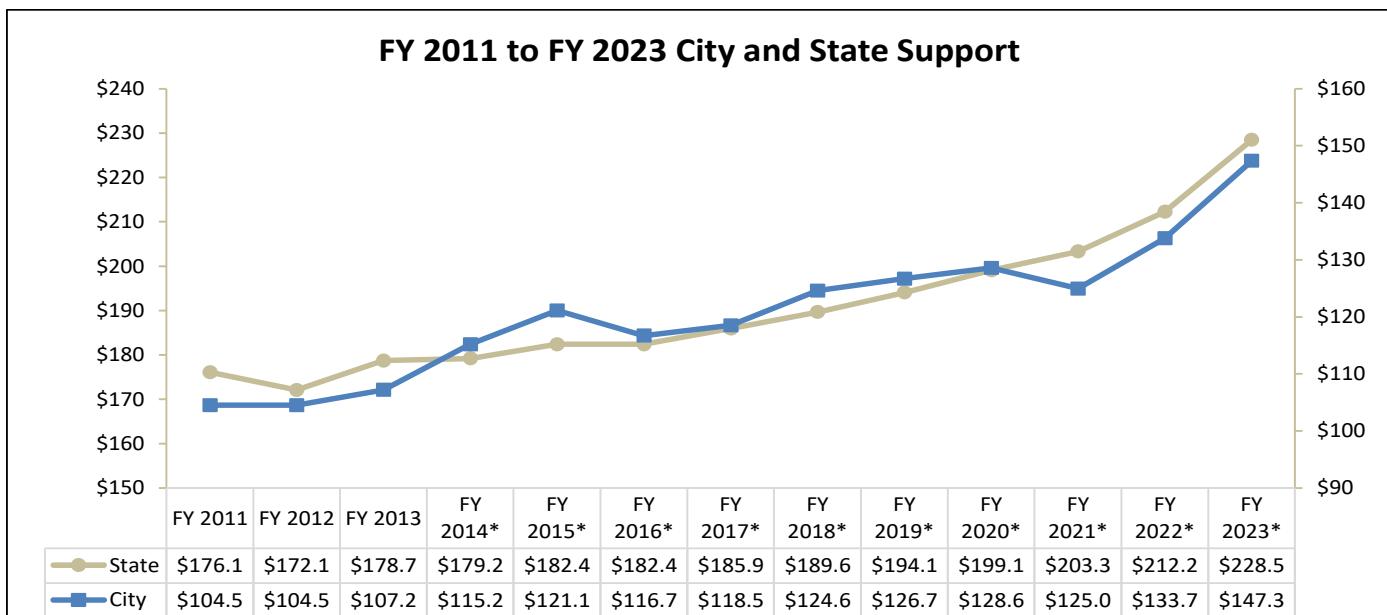
- Commonwealth of Virginia
- City of Norfolk
- Federal Government
- Local Fees and Revenues

**Commonwealth of Virginia:** Support for public schools is a shared cost between the Commonwealth of Virginia and localities. Article VIII, Section 2 of the Constitution of Virginia authorizes the General Assembly to determine the cost of education as prescribed by the Standards of Quality (SOQ) and to establish the cost share between state and local governments. Sales tax revenue is used to offset Basic Aid costs. In FY 2013,  $1\frac{1}{4}$  cent of the Commonwealth's five-cent sales and use tax was dedicated to public school funding. In FY 2014, sales and use tax increased in Norfolk to six cents due to the statewide transportation bill, and of this  $1\frac{3}{8}$  cent is dedicated to public school funding.

The Standards of Quality (SOQ) prescribe the minimum standards of education for public school divisions. The standards are established in the Constitution of Virginia and defined in the Code of Virginia. Only the State Board of Education and the General Assembly can alter the standards. SOQ rebenchmarking is completed every two years and coincides with the beginning of the Commonwealth's biennial budget cycle. Localities may choose to spend more than the required amounts at their own discretion. School divisions may offer additional programs and employ additional staff beyond what is required by the SOQ at their own discretion.

Average Daily Membership (ADM) is the student enrollment count that drives most state funds for public education. The ADM is reported to the Virginia Department of Education (VDOE) twice a year, a projection in the fall and a final ADM in the spring. ADM is determined by the total days in membership for all students over the school year divided by the number of days school was in session. NPS projects March 31<sup>st</sup> ADM to decline from 25,639 in FY 2022 to 25,342 in FY 2023, a decrease of 297 students. Since 2014, ADM has decreased by 4,517 students or 15.1 percent. Pre-kindergarten is an optional program and not included in the ADM. As such, the numbers reported here do not include pre-kindergarten.



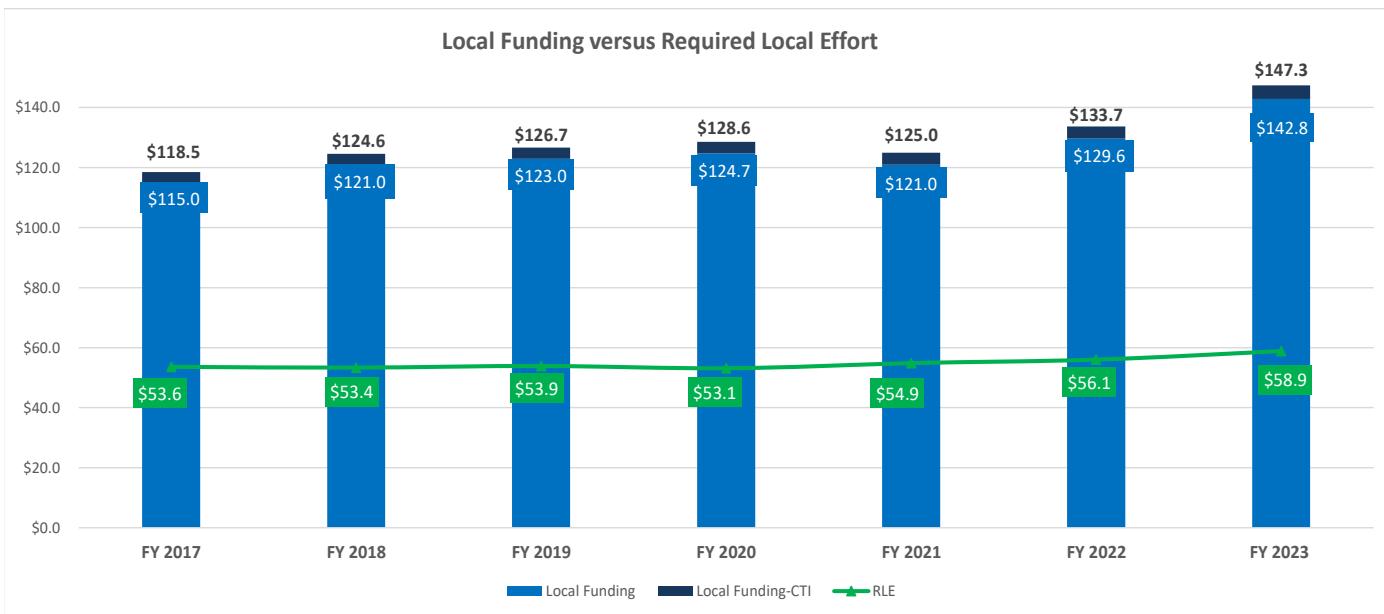


\* Includes Construction, Technology, and Infrastructure (CTI) funding. FY 2022 and FY 2023 are budgeted amounts; all others are actuals. State funding figure for FY 2019 reflects City of Norfolk's Adopted Budget; subsequently, the General Assembly passed a budget that provided \$1.3 million in additional state funding.

**City of Norfolk:** Education has been an ongoing priority for City Council and the City of Norfolk. Despite the Great Recession and declines in enrollment, city support has increased over the last decade. Traditionally, NPS has submitted a budget based on its identified needs, and the local contribution has been determined by balancing those needs against citywide needs and financial capacity.

Beginning in FY 2020, the Local Revenue Allocation Policy included at the end of this section will be used to determine the local contribution to NPS's operating funds. By using a formula to allocate a fixed share of non-dedicated local revenues to schools, this policy provides a predictable, objective method so that both NPS administration and the city can engage in better financial planning with available resources. The policy also links economic growth to school funding, recognizing the importance of schools to the city's economic success.

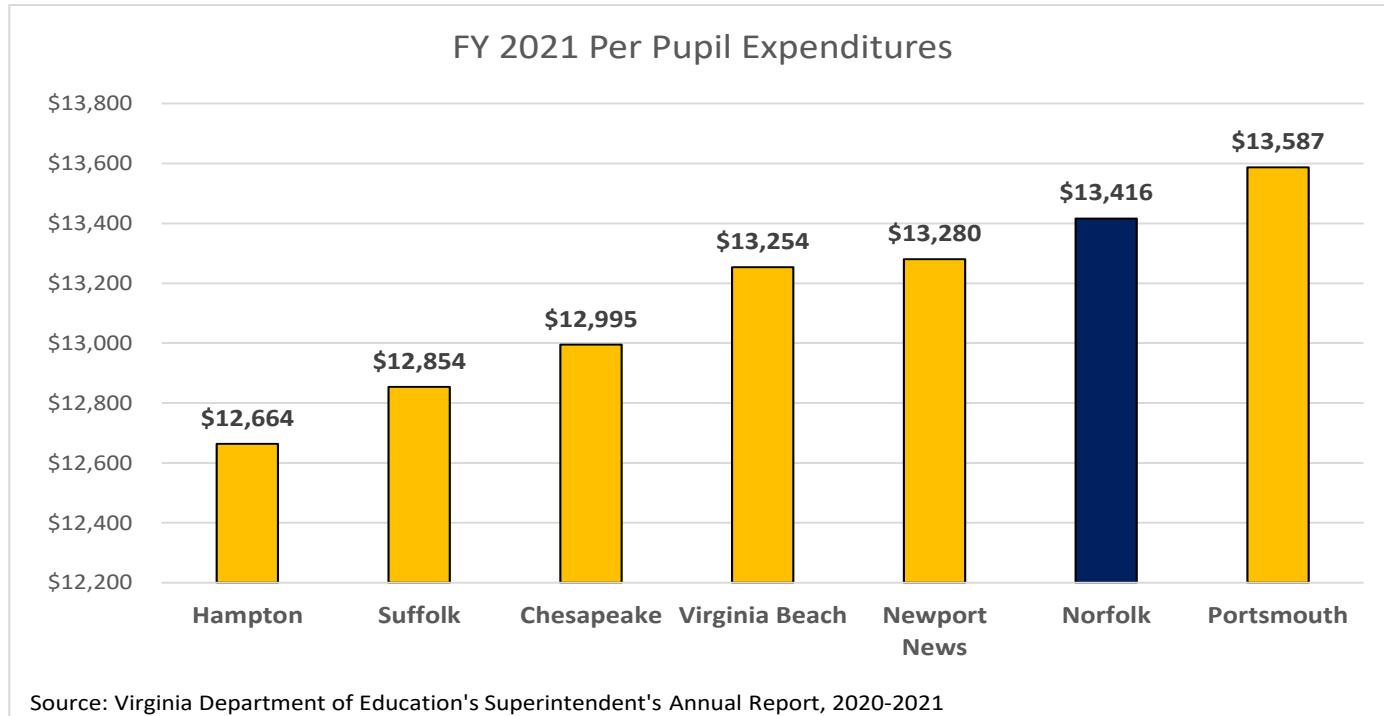
**Local Composite Index:** The Local Composite Index (LCI) was formulated by the state to measure a locality's ability to fund education. The LCI is calculated using three measures of the local tax base: true real estate values (50 percent of measure); adjusted gross income (40 percent of measure); and local taxable retail sales (10 percent of measure). LCI calculations for the 2022-2024 biennium are based on 2019 data from the Virginia Department of Taxation. The local tax measures are combined with two per capita components: 2020 ADM and total population provided by the Weldon Cooper Center for Public Service. Each locality's ability to pay is evaluated relative to all other localities. Norfolk's LCI for FY 2023 is 0.3064, which means that the city's Required Local Effort (RLE) for SOQ programs is approximately 30 percent of the total cost of education for Norfolk.



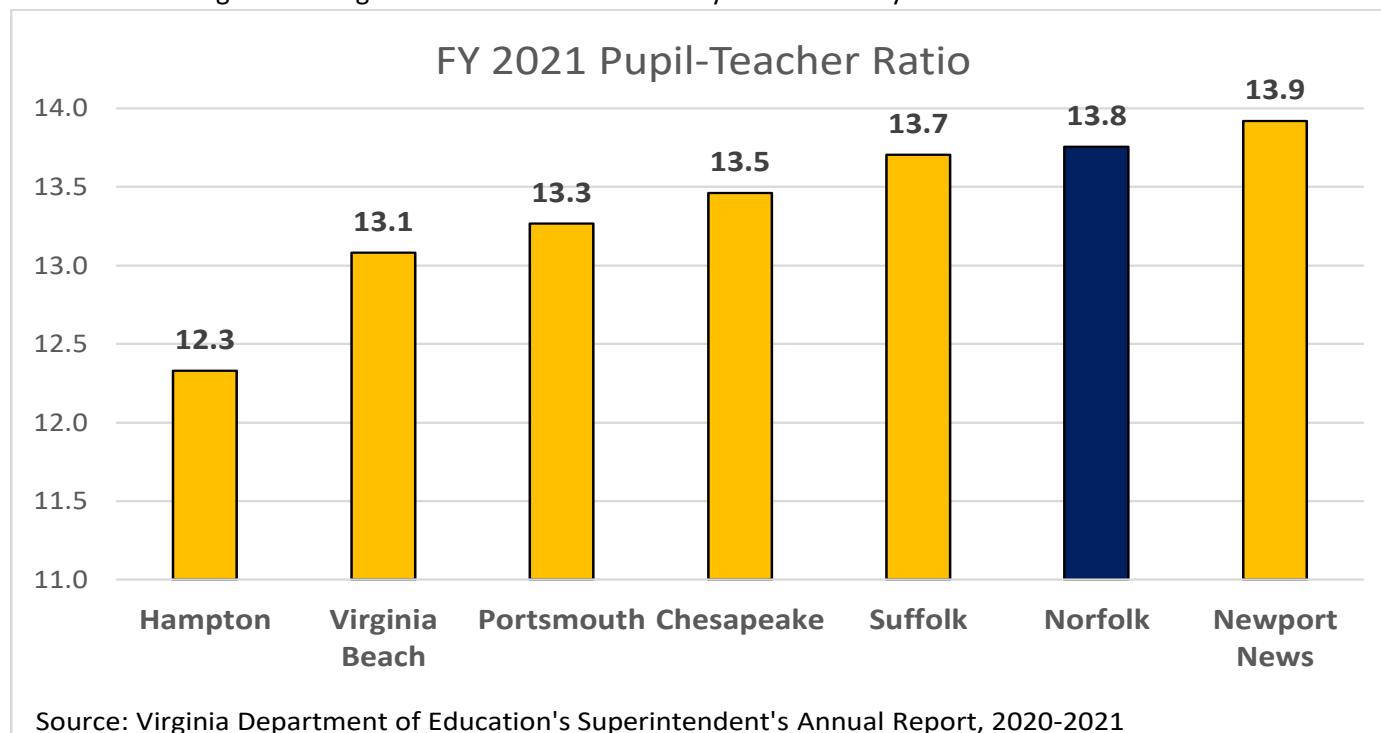
\*FY 2015 includes \$3.0 million and FY 2016 includes \$246,600 in CTI carryforward from FY 2014.

Additionally, the city provides support for NPS related to debt service on school capital projects, landscape maintenance, school resource officers, and other services valued at \$41 million in FY 2023. The city's FY 2023 - FY 2027 Capital Improvement Plan (CIP) continues support for facilities maintenance and school bus replacement. Beginning in FY 2023 the city will transfer the funding for debt service payments to Norfolk Public Schools as part of a new school construction plan. The plan anticipates \$25 million annually for Norfolk Public Schools to invest in state-of-the-art infrastructure for the students of NPS. More information about the debt service and school construction plan is located at the end of the Education Funds section.

**Per Pupil Expenditure (PPE):** PPE is the statistic that includes the amount of money put toward the general education for each student. The Superintendent's Annual Report for Virginia provides a yearly PPE for all school divisions in the Commonwealth. The report utilizes annual financial data submitted by school divisions. Since all school divisions submit this data, this report provides the best comparison of PPE across the state.



**Pupil-Teacher Ratio:** The Pupil-Teacher Ratio data is reported each year in the Superintendent's Annual Report. The most recent report available is for FY 2021 and Norfolk has the lowest pupil-teacher ratio in Hampton Roads. The data reflect a weighted average that account for elementary and secondary teachers at each division.



# **CONSTRUCTION, TECHNOLOGY, AND INFRASTRUCTURE**

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## **Program Overview**

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The Construction, Technology, and Infrastructure (CTI) program funds one-time capital, technology, and infrastructure improvements for the school division. The program funds (in priority order) the debt service for school construction projects, technology to enhance learning within the classroom, and infrastructure needs. A dedicated two-cent real estate tax increase from July 1, 2013, supports the CTI. The tax increase accelerates the funding for school construction projects and frees up capacity to address infrastructure and neighborhood capital needs citywide. All funds raised from the two-cent tax increase are used solely for this program. This funding source has the potential to grow over time as real estate values increase.

**Adopted Funding for FY 2023: \$4,503,400**

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### **History of Funding**

Prior CTI Funds	\$32,959,900
FY 2023 Adopted CTI Funds	\$4,503,400
Total CTI Funds Appropriated	\$37,463,300

# PERFORMANCE MEASURES

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## Norfolk Public Schools (NPS) FY 2021 Achievable Results (GOALS)

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Norfolk Public Schools' performance measures are test scores from the SOL test results. SOL testing was incomplete in FY 2020 due to the Coronavirus pandemic, the most recent results available from the Virginia Department of Education are for FY 2021. SOL test results for FY 2021 reflect reduced student participation in state assessments due to COVID-19 and other pandemic-related factors. Variations in participation rates and learning conditions should be considered when reviewing 2020-2021 assessment data.

- NPS will implement, annually monitor, and refine the comprehensive plan for improving on-time graduation for students
- NPS will implement, annually monitor, and refine a system of support so that all schools are fully accredited as defined by the Virginia Department of Education (VDOE)
- NPS will improve the climate of support for the achievement of all students through staff, family, and community engagement

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### Priority: Lifelong Learning

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#### Goal

Norfolk Public Schools (NPS) will implement, annually monitor, and refine a system of support so that all schools are fully accredited as defined by the Virginia Department of Education (VDOE)

Measure (As Reported by VDOE)	FY 2019 Results	FY 2021 Results	FY 2019 State Benchmark	FY 2021 State Benchmark
Increase division level pass rates on SOLs (Standards of Learning)				
Grade 3 Reading	63	45	75	75
Grade 3 Mathematics	75	27	70	70
Grade 4 Reading	67	50	75	75
Grade 4 Mathematics	75	27	70	70
Grade 5 Reading	65	49	75	75
Grade 5 Mathematics	69	25	70	70
Grade 5 History & Social Science	100	N/A	70	85
Grade 5 Science	66	27	70	70
Grade 6 Reading	62	54	75	75
Grade 6 Mathematics	56	16	70	70
Grade 7 Reading	67	57	75	75
Grade 7 Mathematics	53	11	70	70
Grade 8 Reading	63	54	75	75
Grade 8 Writing	56	<50	75	75

Measure (As Reported by VDOE)	FY 2019 Results	FY 2021 Results	FY 2019 State Benchmark	FY 2021 State Benchmark
Grade 8 Mathematics	68	19	70	70
Grade 8 History & Social Science	94	N/A	70	85
Grade 8 Science	60	32	70	70
End-of-Course English: Reading	78	74	75	75
End-of-Course English: Writing	73	58	75	75
End-of-Course Algebra I	78	34	70	70
End-of-Course Geometry	74	54	70	70
End-of-Course Algebra II	87	58	70	70
End-of-Course Virginia and U.S. History	54	18	70	85
End-of-Course World History I	50	42	70	85
End-of-Course World History II	68	52	70	85
End-of-Course Earth Science	72	53	70	70
End-of-Course Biology	73	37	70	70
End-of-Course Chemistry	78	42	70	70
End-of-Course World Geography	65	38	70	70

# ADOPTED FY 2023 BUDGET ACTIONS

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- **Adjust local support for schools** \$10,667,952

Adjust local ongoing operating support according to the Local Revenue Allocation Policy introduced in FY 2019.

- **Reappropriate NPS reversion funds** \$2,556,191

Reappropriate unspent FY 2021 reversion funds. The Revenue Sharing Agreement allows NPS to request for the re-appropriation of unspent reversion funds. The \$2.5 million will go to Norfolk Public School's operating budget for FY 2023.

- **Adjust support for Construction, Technology, and Infrastructure program** \$378,600

Adjust support for Construction, Technology, and Infrastructure (CTI) program based on an increase in real estate assessments. The total amount \$4,503,400 in the Proposed FY 2023 Budget will fund one-time capital, technology, and infrastructure improvements for the school division. The program is used to fund (in priority order) debt service for school construction projects, the purchase of technology to enhance learning within the classroom, and address infrastructure needs.

- **Update SOQ and state support** \$16,709,578

Adjust support to NPS based on the 2022 - 2024 biennial budget as proposed by the Governor. At the time of the city's budget adoption a final state budget had not been passed. Standards of Quality (SOQ) rebenchmarking is completed every two years and coincides with the beginning of the Commonwealth's biennial budget cycle.

**Norfolk Public Schools**

**Total: \$30,312,321**

# NORFOLK PUBLIC SCHOOLS SUMMARY

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The School Board issues a separate, detailed budget document which identifies grant revenues in addition to the School Operating Budget. The FY 2020 and FY 2021 Actual amounts are provided by NPS. The FY 2022 Adopted amount is approved by City Council.

## Revenue Summary

	FY 2020 Actual	FY 2021 Actual	FY 2022 Adopted	FY 2023 Adopted
<b>Operating Revenue from the City</b>	124,710,884	120,355,835	129,622,172	140,290,124
<i>Revenue Sharing Agreement</i>				
<i>Reversion Funds</i>	0	0	0	2,556,191
<b>Subtotal Operating Revenue from the City</b>	<b>124,710,884</b>	<b>120,355,835</b>	<b>129,622,172</b>	<b>142,846,315</b>
<b>Debt Service Support</b>				
<i>CTI Debt Service</i>	3,851,000	3,980,000	4,124,800	4,503,400
<b>Subtotal Debt Service Support</b>	<b>3,851,000</b>	<b>3,980,000</b>	<b>4,124,800</b>	<b>4,503,400</b>
<b>Subtotal Ongoing Support</b>	<b>128,561,884</b>	<b>124,335,835</b>	<b>133,746,972</b>	<b>147,349,715</b>
<b>One-time Support</b>				
<i>Additional appropriation</i>	0	0	0	0
<b>Subtotal One-time Support</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total City Revenue</b>	<b>128,561,884</b>	<b>124,335,835</b>	<b>133,746,972</b>	<b>147,349,715</b>
Revenue from Commonwealth	199,073,869	206,166,977	212,240,337	228,455,915
Revenue from Federal Funds	5,643,981	4,252,933	5,675,000	5,305,000
Revenue from Other Funds	2,708,564	2,426,356	3,206,000	4,070,000
<b>Subtotal State and Other</b>	<b>207,426,414</b>	<b>212,846,266</b>	<b>221,121,337</b>	<b>237,830,915</b>
<b>Total Operating Revenues</b>	<b>335,988,298</b>	<b>337,182,101</b>	<b>354,868,309</b>	<b>385,180,630</b>
<b>Total Grant Revenues and School Nutrition Funds<sup>1</sup></b>	<b>50,857,363</b>	<b>59,415,558</b>	<b>112,257,427</b>	<b>67,489,441</b>
<b>Total Revenues</b>	<b>386,845,661</b>	<b>396,597,659</b>	<b>467,125,736</b>	<b>452,670,071</b>
<b>Additional Services Provided<sup>2</sup> (see next page for details)</b>	24,082,190	22,975,926	46,797,295	40,998,995
<b>Grand Total Support Received</b>	<b>410,927,851</b>	<b>419,573,585</b>	<b>513,923,031</b>	<b>493,669,066</b>

<sup>1</sup>School Nutrition Funds revenues include transfers of \$2,488,267 in FY 2020, \$3,996,532 in FY 2021, and \$966,000 in FY 2022 from the fund balance. Grant Revenues for FY 2022 also include CARES funding.

<sup>2</sup> Additional Services Provided includes amounts for capital improvement projects, services for grounds maintenance and School Resource Officers.

## Expenditure Summary

	FY 2020 Actual	FY 2021 Actual	FY 2022 Adopted	FY 2023 Adopted
School Operating Budget	321,413,214	321,441,213	354,868,309	385,180,630
Grants and Special Programs	33,681,781	47,141,044	90,257,427	44,489,441
Child Nutrition Services	17,175,582	12,274,514	22,000,000	23,000,000
<b>Total Expenditures</b>	<b>372,270,577</b>	<b>380,856,771</b>	<b>467,125,736</b>	<b>452,670,071</b>

## Additional Services Provided to Norfolk Public Schools (Excluding School Construction)

	FY 2020 Actual	FY 2021 Actual	FY 2022 Adopted	FY 2023 Adopted
Debt Service for School Buses	925,725	902,650	890,468	863,718
Debt Service for School Construction and Maintenance Projects <sup>1</sup>	16,913,133	15,947,399	16,409,631	17,768,004
Grounds Maintenance	587,790	679,120	710,000	710,000
School Resource Officers	1,060,677	1,043,935	1,087,196	1,965,088
<b>Subtotal Other City Support</b>	<b>19,487,325</b>	<b>18,573,104</b>	<b>19,097,295</b>	<b>21,306,810</b>
Ongoing School Maintenance	3,594,865	4,402,822	26,700,000	18,692,185
Acquire School Buses	1,000,000	0	1,000,000	1,000,000
<b>Grand Total Additional Services Provided</b>	<b>24,082,190</b>	<b>22,975,926</b>	<b>46,797,295</b>	<b>40,998,995</b>

In addition to the direct city support to Norfolk Public Schools, the city provides additional services (listed above) funded through city departments' budgets. Debt service for school construction and school buses are included in the city's Debt Service budget, School Resource Officers are included in the Police budget, Facility Maintenance is in the General Services budget, and Grounds Maintenance is in the Recreation, Parks and Open Space budget.

# SCHOOL OPERATING FUND

## Operating Revenues

	FY 2020 Actual	FY 2021 Actual	FY 2022 Adopted	FY 2023 Adopted
<b>Revenue from Commonwealth</b>				
<b>Standards of Quality Funds</b>				
Basic Aid	85,390,608	84,819,862	85,102,460	83,631,127
Textbook Payments	1,961,466	1,963,547	1,945,298	2,326,830
Vocational Education Standards of Quality (SOQ)	1,441,538	1,352,029	1,339,462	1,353,421
Gifted Education	974,012	950,074	941,244	966,729
Special Education SOQ	10,266,091	10,523,898	10,426,086	10,967,985
Prevention, Intervention and Remediation	5,473,950	5,462,926	5,421,152	5,571,877
Fringe Benefits	18,459,405	18,946,669	18,897,281	19,475,204
English as a Second Language (ESL) <sup>1</sup>	909,141	1,082,062	1,124,647	1,518,994
Remedial Summer School	471,437	458,859	458,859	1,034,529
<b>Total Standards of Quality Funds</b>	<b>125,347,648</b>	<b>125,559,926</b>	<b>125,647,489</b>	<b>126,846,696</b>
State Sales Taxes	35,156,686	38,758,193	35,712,093	40,242,034
Lottery Funded Programs	26,296,538	24,790,726	24,080,864	25,598,143
Other State Funds	12,272,997	17,058,132	26,799,891	35,769,042
<b>Total from Commonwealth</b>	<b>199,073,869</b>	<b>206,166,977</b>	<b>212,240,337</b>	<b>228,455,915</b>
<b>Total Federal</b>	<b>5,643,981</b>	<b>4,252,933</b>	<b>5,675,000</b>	<b>5,305,000</b>
<b>Total City Funds</b>	<b>128,561,884</b>	<b>124,335,835</b>	<b>133,746,972</b>	<b>147,349,715</b>
<b>Total Other Revenue</b>	<b>2,708,564</b>	<b>2,426,356</b>	<b>3,206,000</b>	<b>4,070,000</b>
<b>Total Carryforwards</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Revenues</b>	<b>335,988,298</b>	<b>337,182,101</b>	<b>354,868,309</b>	<b>385,180,630</b>

## Operating Expenditures

Expenditures	Positions		FY 2020 Actual	FY 2021 Actual	FY 2022 Adopted	FY 2023 Adopted
	FY 2022	FY 2023				
Instructional Services	3,108	3,123	241,763,718	242,779,679	260,880,423	276,534,872
Administration, Attendance, and Health	197	204	18,164,117	18,886,318	20,231,896	22,977,639
Pupil Transportation	300	295	11,110,349	9,881,031	13,508,157	14,833,274
Operations/ Maintenance	417	423	35,684,134	33,103,915	40,574,901	42,266,493
Facility Improvements	0	0	1,296,882	938,202	1,840,000 <sup>1</sup>	1,297,600 <sup>1</sup>
Information Technology	89	93	9,543,014	11,872,068	13,708,132	14,307,809
<b>School Operating Budget</b>	<b>4,111</b>	<b>4,138</b>	<b>317,562,214</b>	<b>317,461,213</b>	<b>350,743,509</b>	<b>372,217,687</b>
<b>Construction Technology and Infrastructure</b>			<b>3,851,000</b>	<b>3,980,000</b>	<b>4,124,800</b>	<b>4,503,400</b>
<b>Grand Total Operating and CTI</b>			<b>321,413,214</b>	<b>321,441,213</b>	<b>354,868,309</b>	<b>376,721,807</b>
<b>Difference from City Revenue<sup>2</sup></b>						<b>8,459,543</b>
<b>Total Expenditures</b>			<b>321,413,214</b>	<b>321,441,213</b>	<b>354,868,309</b>	<b>385,180,630</b>

<sup>1</sup>These amounts differ from the NPS Approved FY 2022 and NPS Proposed FY 2023 budgets. The NPS budget for facilities improvements includes CTI funds, which is shown in the Construction, Technology, and Infrastructure line.

<sup>2</sup>Norfolk Public Schools' total operating amount differs from city revenue amount due to increased city revenue contribution, the new School Construction and Renovation Initiative which transferred funding for debt service to NPS, and delays in the adoption of a General Assembly Budget.

# SCHOOL GRANTS

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## Grants and Special Programs Summary

	FY 2020 Actual	FY 2021 Actual	FY 2022 Estimated	FY 2023 Estimated
Federal Grants	28,207,401	42,347,665	81,966,260	35,978,311
Commonwealth of Virginia Grants	4,959,807	4,559,689	7,362,447	7,109,406
Other/Foundation Grants	514,573	233,690	928,720	1,401,724
<b>Total Grant Revenues</b>	<b>33,681,781</b>	<b>47,141,044</b>	<b>90,257,427</b>	<b>44,489,441</b>

## Grants and Special Programs Expenditure Summary

### Federal Grants

	FY 2020 Actual	FY 2021 Actual	FY 2022 Estimated	FY 2023 Estimated
Compensatory Programs	19,061,900	18,927,526	18,275,058	20,043,859
Special Education	7,471,840	7,516,473	7,456,013	7,556,517
Career, Technical and Adult Education	932,570	1,174,812	1,159,854	1,167,247
Other Projects	741,091	457,206	4,626,208	5,337,094
Coronavirus Response Funds	0	14,271,648	50,449,127	1,873,594
<b>Total Federal Grants</b>	<b>28,207,401</b>	<b>42,347,665</b>	<b>81,966,260</b>	<b>35,978,311</b>

### COMMONWEALTH OF VIRGINIA GRANTS

	FY 2020 Actual	FY 2021 Actual	FY 2022 Estimated	FY 2023 Estimated
Career, Technical and Adult Education	204,754	265,778	227,427	256,883
State Operated Facilities	3,157,307	2,182,792	3,174,286	3,202,737
Special Education	183,130	135,798	183,888	201,547
Virginia Technology Initiative	0	0	0	0
Other Grants	1,414,616	1,975,321	3,776,846	3,448,239
<b>Total Commonwealth of Virginia</b>	<b>4,959,807</b>	<b>4,559,689</b>	<b>7,362,447</b>	<b>7,109,406</b>

**OTHER/FOUNDATION GRANTS**

	FY 2020 Actual	FY 2021 Actual	FY 2022 Estimated	FY 2023 Estimated
Other/Foundation Grants	514,573	233,690	928,720	1,401,724
<b>Total Other/Foundation Grants</b>	<b>514,573</b>	<b>233,690</b>	<b>928,720</b>	<b>1,401,724</b>
<b>Total Grants and Special Programs</b>	<b>33,681,781</b>	<b>47,141,044</b>	<b>90,257,427</b>	<b>44,489,441</b>

# CHILD NUTRITION SERVICES

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<b>Revenues</b>	<b>FY 2020 Actual</b>	<b>FY 2021 Actual</b>	<b>FY 2022 Adopted</b>	<b>FY 2023 Proposed</b>
Sales	709,996	21,953	45,000	30,000
Federal and State Food Program Reimbursements	12,840,031	7,367,678	19,670,000	21,576,000
Federal Commodities Donated	1,049,454	718,869	1,200,000	1,200,000
Interest Earned	0	0	0	0
Other Revenue	101,355	1,347	119,000	194,000
Transfer from General Fund	0	168,132	0	0
Transfer from Fund Balance	0	3,996,532	966,000	0
<b>Total Revenues</b>	<b>14,700,836</b>	<b>12,274,511</b>	<b>22,000,000</b>	<b>23,000,000</b>

<b>Expenditures</b>	<b>FY 2020 Actual</b>	<b>FY 2021 Actual</b>	<b>FY 2022 Adopted</b>	<b>FY 2023 Proposed</b>
Cost of Goods Sold	7,566,545	3,712,940	9,470,342	9,630,632
Employee Compensation	7,645,604	7,717,760	10,292,787	10,435,391
Supplies and Materials	69,868	54,329	130,665	170,000
Equipment and Other Costs	1,893,565	789,485	2,106,206	2,763,977
<b>Total Expenditures</b>	<b>17,175,582</b>	<b>12,274,514</b>	<b>22,000,000</b>	<b>23,000,000</b>
Net Increase (Decrease) in Fund Balance	(2,488,267)	(3,996,532)	(966,000)	0
Fund Balance – Beginning of Year	11,047,742	8,559,475	4,562,943	3,596,943
<b>Fund Balance – End of Year</b>	<b>8,559,475</b>	<b>4,562,943</b>	<b>3,596,943</b>	<b>3,596,943</b>

# LOCAL REVENUE ALLOCATION POLICY

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## PURPOSE

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This policy is to establish the procedure for allocating to the City of Norfolk and Norfolk Public Schools non-dedicated local revenues that are estimated to be available in a given fiscal year. It is the intent of this policy to provide a predictable, objective means of allocating local revenues while providing sufficient funding to meet the strategic goals of both the city and Norfolk Public Schools.

This policy seeks to resolve longstanding concerns over the fair division of limited resources and strike a balance between the funding requirements of school and city services. The policy is designed to accomplish these goals by providing better planning for school funding based on a predictable share of non-dedicated local tax revenue and reduce the Schools' reliance on one-time local support. The policy links economic growth to school funding, to recognize the importance of schools to the economic success of the city. It comes after many meetings with school staff to jointly address as many concerns as possible; however, the policy does not reflect the full support of the school system.

At no time shall the City's allocation be less than that required by Virginia law for the maintenance of an educational program meeting the Standards of Quality as established by the General Assembly.

## DEFINITIONS

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**“City”** refers to the City of Norfolk exclusive of the Norfolk Public Schools system.

**“Schools”** refers to the Norfolk Public Schools system.

**“Non-Dedicated Local Tax Revenue”** refers to the revenue sources identified in Table 1. The set of revenues to be used for the calculation was recommended by Norfolk Public Schools; some sources of local revenue have been excluded, such as the cigarette tax, due to their existing dedications.

**“Dedicated Local Taxes”** refer to taxes that have been previously obligated or may be obligated in the future by the City Council or state law to support specific projects or programs. Examples of dedicated local taxes that are excluded from this policy include, but are not limited to: Tax Increment Financing District revenues; Special Services District revenues; the two cents real estate tax revenue dedicated to Norfolk Public Schools for Construction, Technology, or Infrastructure; the one cent real estate tax dedicated to resilience; the 1.9 cents real estate tax revenue dedicated to the St. Paul’s initiative; taxes that represent “net-new revenues” and are required to be redirected or are the basis for the calculation of an incentive payment as part of a public-private partnership approved by City Council; cigarette tax revenue dedicated to economic development initiatives; hotel tax revenue dedicated to tourism infrastructure and public amenities; food and beverage tax revenue dedicated to public amenities; motor vehicle license fee revenue dedicated to the complete streets initiative; and any other obligations that City Council may make in the future.

**“Revenue Sharing Formula”** refers to the method of sharing local tax revenues between the city and schools.

**“Local Contribution”** refers to local funds appropriated for Schools by City Council in May of each year for the upcoming fiscal year beginning July 1.

**“Actual Non-Dedicated Local Tax Revenues”** refers to the actual collected local revenues reflected in the Comprehensive Annual Financial Report (CAFR) at the end of each fiscal year.

**“Reversion Funds”** refer to the funding held by Norfolk Public Schools at the close of business of each fiscal year (per Code of Virginia § 22.1-100) and to the end of year true-up to the revenue sharing formula based on actual local tax revenues.

## REVENUE SHARING FORMULA CALCULATION

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**Initial Estimate:** In September, the city’s Department of Budget and Strategic Planning will provide to Norfolk Public Schools an estimate of the local contribution for the upcoming fiscal year.

**Mid-year Estimate:** In February, the city’s Department of Budget and Strategic Planning will provide to Norfolk Public Schools an updated estimate of the local contribution for the upcoming fiscal year.

**Final Estimate:** In March, the city’s Department of Budget and Strategic Planning will provide a final estimate of the local contribution. This will be the estimate included in the city’s Proposed Operating Budget.

Estimates of the revenues contained in the Revenue Sharing Formula shall be clearly presented in the city’s operating budget.

**Revenue Sharing Formula Calculation:** The city’s Department of Budget and Strategic Planning will allocate to Norfolk Public Schools a constant 29.55 percent share of non-dedicated local tax revenues shown in the table below starting in FY 2020. This formula calculation shall comprise the local contribution for Norfolk Public Schools pursuant to this policy.

<b>Sources of Non-Dedicated Local Tax Revenue<sup>1</sup></b>	
Real Estate tax <sup>2</sup>	Real Estate Public Service Corporation tax <sup>2</sup>
Personal Property tax <sup>2</sup>	Transient Occupancy (Hotel) tax
Sales and Use tax	Machinery and Tools tax <sup>2</sup>
Food and Beverage (Meals) tax	Consumer Water Utility tax
Business License tax	Motor Vehicle License Fee (city)
Communication Sales and Use tax	Consumer Gas Utility tax
Consumer Electric Utility tax	Recordation tax

<sup>1</sup>Less dedications as described in the “Dedicated Local Taxes” in the Definitions section.

<sup>2</sup>Does not include delinquent tax revenue

**Mid-year Revenue Shortfall:** If the city anticipates, at any time during the fiscal year, that actual non-dedicated local tax revenues will fall significantly below the budgeted amount, the City Manager or his designee will provide to Norfolk Public Schools an updated estimate of the local contribution. The School Superintendent, upon notification by the City Manager or his designee, will be expected to notify the Board and take necessary actions to reduce expenditures in an amount equal to the reduction in the local contribution to Norfolk Public Schools.

**State Revenue Shortfall:** If, at any time during the fiscal year, a significant shortfall in revenue from the Commonwealth is anticipated, The City Manager or designee, School Superintendent, the city’s Director of Budget and Strategic Planning, and Schools’ Chief Financial Officer shall work together to address the projected shortfall.

**True-up Provision:** If, at the end of the fiscal year, the actual non-dedicated local tax revenues differ from the budgeted non-dedicated local tax revenues, any excess revenue will be allocated in the same manner as similar revenues were apportioned in the recently ended fiscal year. The School Board may request that such funds be appropriated for one-time expenditures. The procedure to request appropriation is discussed below in the reversion

funds section. Similarly if revenues underperform, the shortage will be taken as a part of the end-of-year true-up process.

**End of Year Funds:** All other sources of funding shall be expended by Norfolk Public Schools prior to the use of local contribution. All unexpended balances held by Norfolk Public Schools at the close of business of each fiscal year are to be returned to the fund balance of the city's General Fund as required by Code of Virginia § 22.1-100. The School Board may request that such funds be appropriated for one-time expenditures. The procedure to request appropriation is discussed below in the reversion funds section.

**Reversion Funds:** The School Board may request, by resolution, the re-appropriation of all reversion funds including the balance of end of the year funds that were returned to the city's General Fund balance and any revenue from the true-up of the formula as described above.

The School Board resolution may request the use of reversion funds for one-time purchases. Upon receipt of the resolution, the city's Department of Budget and Strategic Planning shall prepare an ordinance for the City Council's consideration of the School Board's request at the earliest available City Council meeting. If the School Board does not make a request to appropriate the reversion funding, it will be used in the subsequent fiscal year's Capital Improvement Plan to support the one-time purchase of school buses.

Following City Council's action, the city's Department of Budget and Strategic Planning shall notify Norfolk Public Schools of the City Council's decision and shall amend the budget accordingly.

## **PROCESS TO REVISE THE LOCAL REVENUE ALLOCATION POLICY**

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The City Manager, Schools Superintendent, the city's Director of Budget and Strategic Planning, and Schools' Chief Financial Officer shall meet annually to discuss changes in state and federal revenues that support school operations, any use of one-time revenues, and any adjustments made to existing revenues supporting the funding formula. If they determine that an adjustment is needed, the City Manager and Superintendent will brief the City Council and School Board respectively.

## **PROCEDURE TO REQUEST AN INCREASE IN LOCAL CONTRIBUTION**

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If the Norfolk School Board, in consultation with the School Superintendent determine additional funding, beyond what is provided by the formula, is required to maintain the current level of operations or to provide for additional initiatives, it will notify the City Council by resolution by April 1 to allow for inclusion in the city's operating budget deliberations. The School Board's resolution shall contain the following:

- That additional funding is required,
- The amount of the additional funding requested,
- The purpose for the additional funding, and
- That the School Board supports an increase in the real estate tax rate (or other local tax rate) to support the additional request.

City Council may revise the policy at its discretion. If no other action is taken by the City Council this policy shall remain effective until modified by the City Council.

*Adopted by City Council on May 22, 2018.*

# LOCAL DEBT SERVICE CAPACITY AND SCHOOL CONSTRUCTION RESOLUTION

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## PURPOSE

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The FY 2023 Adopted Budget appropriated a new school construction plan that anticipates \$25 million annually for Norfolk Public Schools to invest in state-of-the-art infrastructure for the students of NPS. Beginning in FY 2023 the city will transfer the funding for debt service payments to Norfolk Public Schools and dedicate a portion of future Gaming Tax Revenue and a portion of any non-dedicated revenue generated from within the casino footprint at the established revenue sharing agreement policy of 29.55 percent.

The dedicated revenue from the gaming tax is in addition to the existing local revenue allocation policy (revenue sharing agreement / funding formula). The sources of other revenue generated from the footprint of the proposed resort and casino align with the non-dedicated local revenue specified in the existing local revenue allocation policy. The casino is anticipated to open July 1, 2024, the start of fiscal year 2025.

This action permanently transitions responsibility for all NPS related debt service costs (construction and maintenance) to Norfolk Public Schools. This results in NPS being allocated a portion of the city's financial policies governing debt affordability.

The city's FY 2023 - FY 2027 Capital Improvement Plan (CIP) continues to identify Support for Facilities Maintenance and School Bus Replacement. Three additional projects were added for Norfolk public schools within the city's CIP including Construct Maury High School, Renovate Booker T. Washington High School, and Construct Norview Elementary School. More information about the projects can be found in the capital improvement section of the budget book.

*Adopted by City Council on May 10, 2022.*