

## MEMORANDUM

TO: Senator Cummings  
Members of the Senate Education Committee

FROM: Rebecca Holcombe, Secretary of Education

SUBJECT: Follow-up on Budget Questions

DATE: April 1, 2016



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In response to your question please find attached the most recent school budget numbers.

As of this morning, we have details for 247 out of 267 budgets expected. In sum:

1. The overall spending increase is slightly above last year's for the same group of districts – 2.42% versus 2.23%.
2. The overall education spending increase is roughly half of last year's for the same group of districts – 1.47% versus 2.76%.
3. The overall offsetting revenues increase is significantly higher than last year's for that same group of districts – 5.81% versus 0.40%.

In conversations with business managers, we have confirmed that most had used reserve funds in most of their districts to stay under the allowable growth thresholds.

For context, our FY16 K-12 student count (ADM) is about 1,100 students smaller than in FY15.

Given this information, we offer the following observations for your consideration.

1. Our systems may not have had the capacity to responsibly curb growth within the timeline proposed by the thresholds, so felt compelled to dig into reserves.
2. The time spent responding to the thresholds was time not spent on sustainable solutions.
3. Reserves were not created to keep districts from exceeding new thresholds.
4. Reserves are built up over time. Some of the Ed Fund 'reserves' may be a function of the fact that in a period of substantial transformation, such as that caused by consolidation of special education and consolidation of districts, there will be flux in the system and challenges with respect to preciseness of budgeting. We caution the general assembly against the temptation to reduce reserves to the point that they can't be used to cushion the Ed Fund next year, in what is likely to be a challenging budget year.