

## Supt. Shawn Dilly's column – Financial crunch coming

While the Mineral County Board of Education is not broke, there are some troubling financial times coming. In the near future hard decisions must be made if we want to continue to be sustainable.

These decisions are going to have to be based on what is in the best interest of our students first and staff second. We need to provide the programs to our students that they need to be successful in life.

I have been reviewing with the board members in recent meetings some of the facts of our budget as well as its history over the last several years. That's important because we have come from having a large carryover balance five years ago to a point where there is no cushion that such funds provided in the past.

We need to find at least \$1 million in contingency funds over the next months that we currently do not have.

To see what the situation is first, let's look at the notes Assistant Superintendent Steve Peer provided in our most recent financial statement for the year ending June 30, 2015:

“With the number of personnel over the funding formula, combined with a decrease in enrollment, the board's continued use of its carryover to maintain and meet state required education mandates is imminent. With the high concentration of special education students requiring services and the shift in the state aid funding formula to not provide additional funding based on the number of special education students, funding in the future may decrease significantly. Additionally, since unrestricted state aid, at 62 percent of the total revenues received, any future reductions in State Aid could have substantial impact on the board's future revenues. Also, the Board's dependence on Medicaid funding for special education positions is in jeopardy. Medicaid revenue has been decreasing and will continue to do so.

“Additionally, the cost of the board's obligation for funding 37 percent of the construction of the new Keyser Primary School and making the major portion of the lease/purchase payment for the Keyser High School stadium place a real strain on available revenues.”

OK, now let's look at what it means and how we got here.

First, let's address the number of personnel over the state aid funding formula. That formula is based primarily on enrollment. For every 13.8 students lost in enrollment, the funding equivalent of one professional and .64 service personnel is lost equating to approximately \$94,800, since the average professional position with benefits costs the system \$66,000 and the average service personnel with benefits is \$45,000. Enrollment affecting this funding has decreased from a high of a 4,551 students in 2008-09 to 4,187 in 2013-14. Fortunately, we gained five students in 2014-15 for a total of 4,192.

Currently, Mineral County Schools is 51.02 positions over the state allocation. But, the county has seen a reduction in state funding for these positions of a little less than \$2 million and that means the costs associated with those positions is coming from the general fund.

In 2009, the federal government made available some funding as part of the American Recovery and Reinvestment Act (ARRA) to alleviate some of the problems associated with the recession. Mineral County received more than \$5.86 million from 2009 to 2013. The monies were used to fund positions in special education, vocational, Title 1, and regular staff. In 2013, when the ARRA funds ended, the positions (approximately 12) were funded through the general fund or other sources. In other counties these monies were used for capital improvements and/or costs than personnel.

To a great extent these now-unfunded positions have been covered through carryover. At the end of 2010-11, carryover was about \$2.5 million but then in 2011-12, carryover declined to \$2.1 million and in 2012-13 to \$1.6 million. In 2013-14 carryover was \$1.5 million but for 2014-15 carryover was down to approximately \$887,000.

At the first meeting of this school year, \$350,000 of that amount was used to fill special education positions because of unanticipated an increase in special education enrollment. A great many services for special education students had in the past been funded by Medicaid but those funds are rapidly disappearing and each year the county has been required to match or exceed the previous year's expenditures for these services out of the general fund.

That left approximately \$500,000 in the carryover balance. At this week's Board meeting, it was learned that the governor has cut public education budgets across the state by 1 percent.

According to Mr. Peer, that cut amounts to about \$253,000 based on our current budget. At his suggestion, that also will come from the carryover which will simply not be budgeted for anything during current school year. That cuts the available carryover in half to roughly \$250,000.

The West Virginia Department of Education recommends that all school districts maintain a carryover balance of 3 percent of the entire operating budget for emergencies and other unexpected expenditures to ensure fiscal sustainability. For Mineral County that means we need to have an annual carryover balance of \$1.5 million.

Our revenues are dwindling while our expenses are rising and most of our carryover has already been used.

Next week, I will talk about increasing expenses in other areas and where we might be looking for cost savings. I have asked our directors to look at ways where they might be able to save and/or cut costs.

A special meeting of the Board of Education will be held on Sunday Oct. 18. This is primarily a work session and will include discussion of budgetary matters.

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