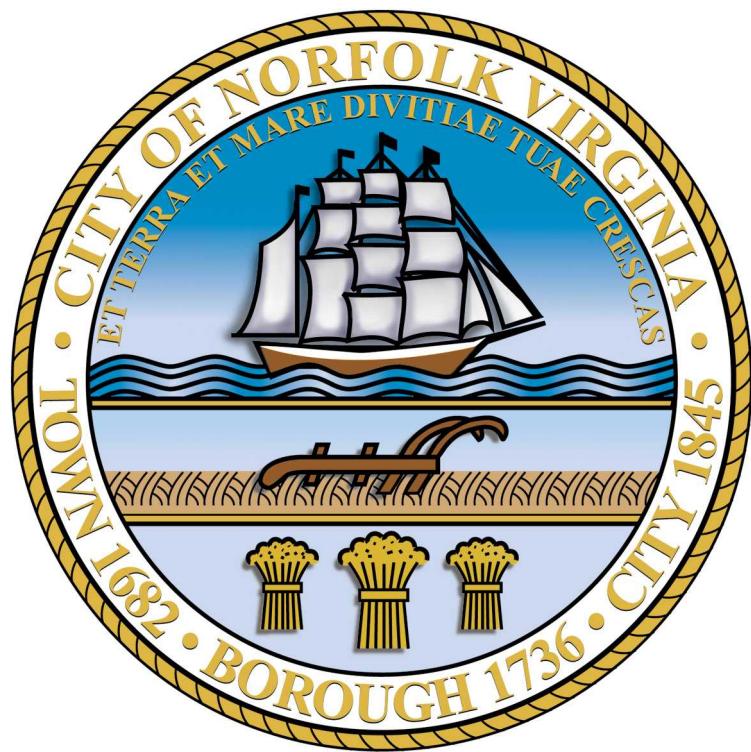

Public School Education



This page intentionally left blank

NORFOLK PUBLIC SCHOOLS

MISSION STATEMENT

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

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 30,000 students, supported by more than 4,600 employees in 52 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. 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

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

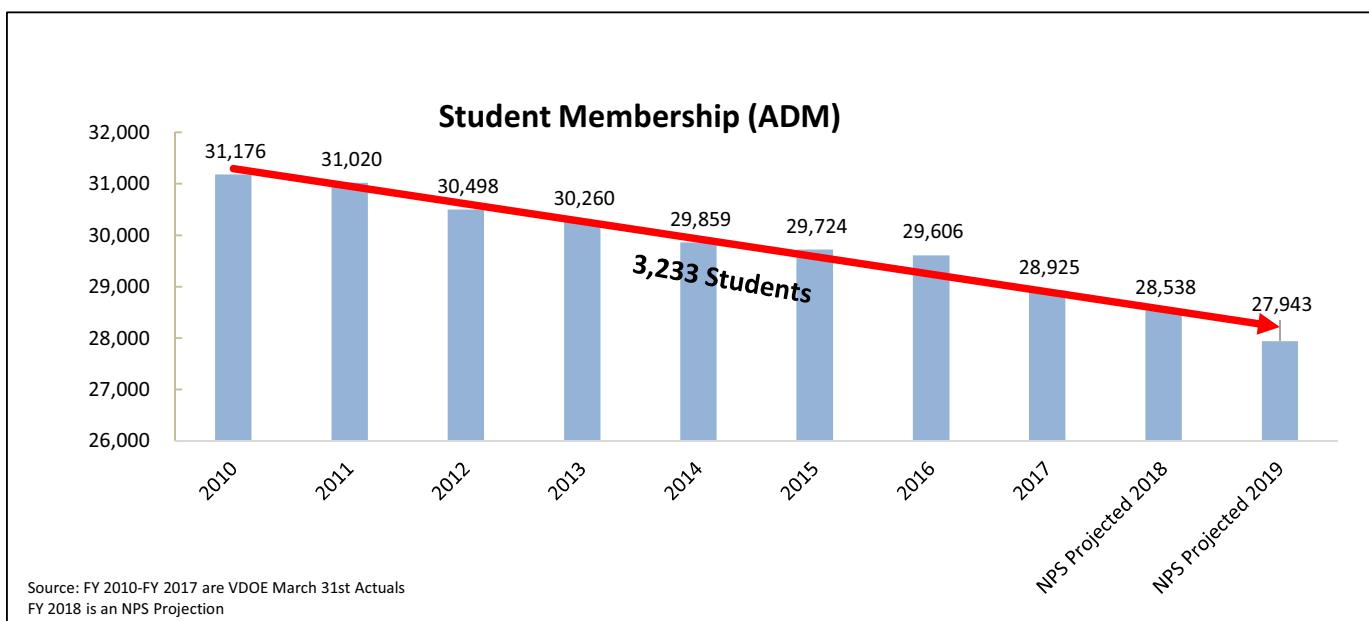
The division receives financial support from several sources:

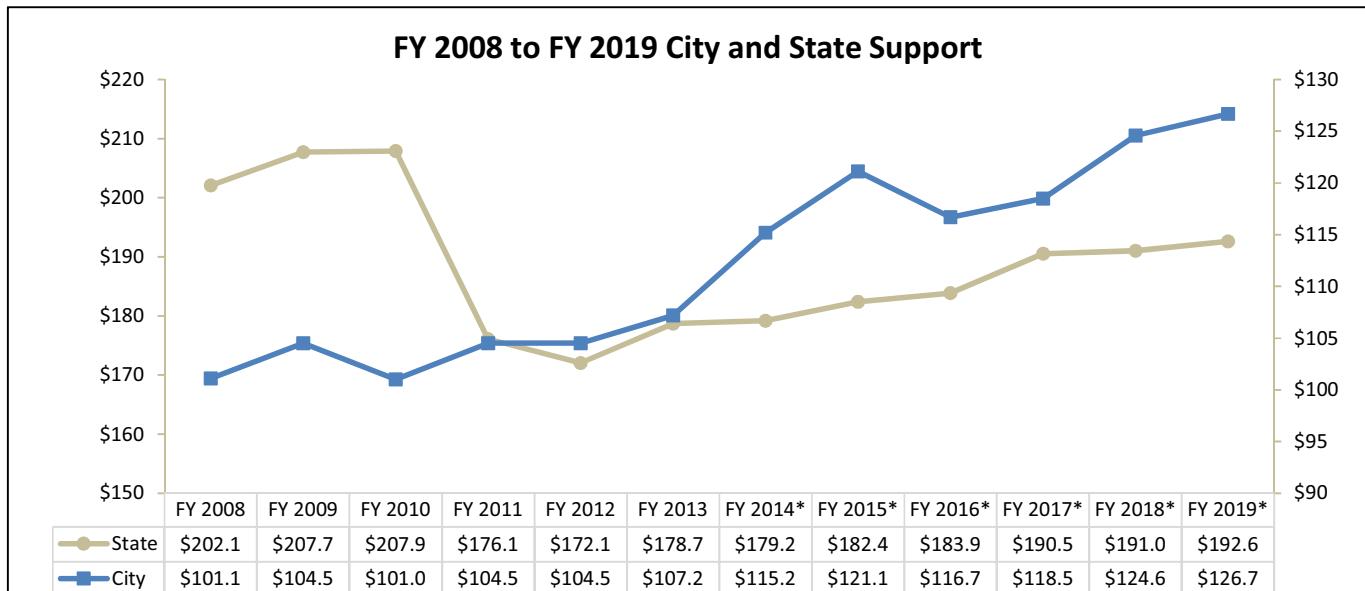
- Commonwealth of Virginia
- City of Norfolk
- Federal Government
- Local Fees and Revenues

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 5-cent sales and use tax was dedicated to public school funding. In FY 2014, sales and use tax increased in Norfolk to 6-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. SOQ accounts represent about 85 percent of the total state funding for direct aid to public education. 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) as of March 31st 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 ADM to decline from 28,538 in FY 2018 to 27,943 in FY 2019, a decrease of 595 students. Since 2010, ADM has decreased by 3,233 students or 10.4 percent, while city support has increased. Pre-kindergarten is an optional program and not included in the ADM. As such, the numbers reported here do not include pre-kindergarten.



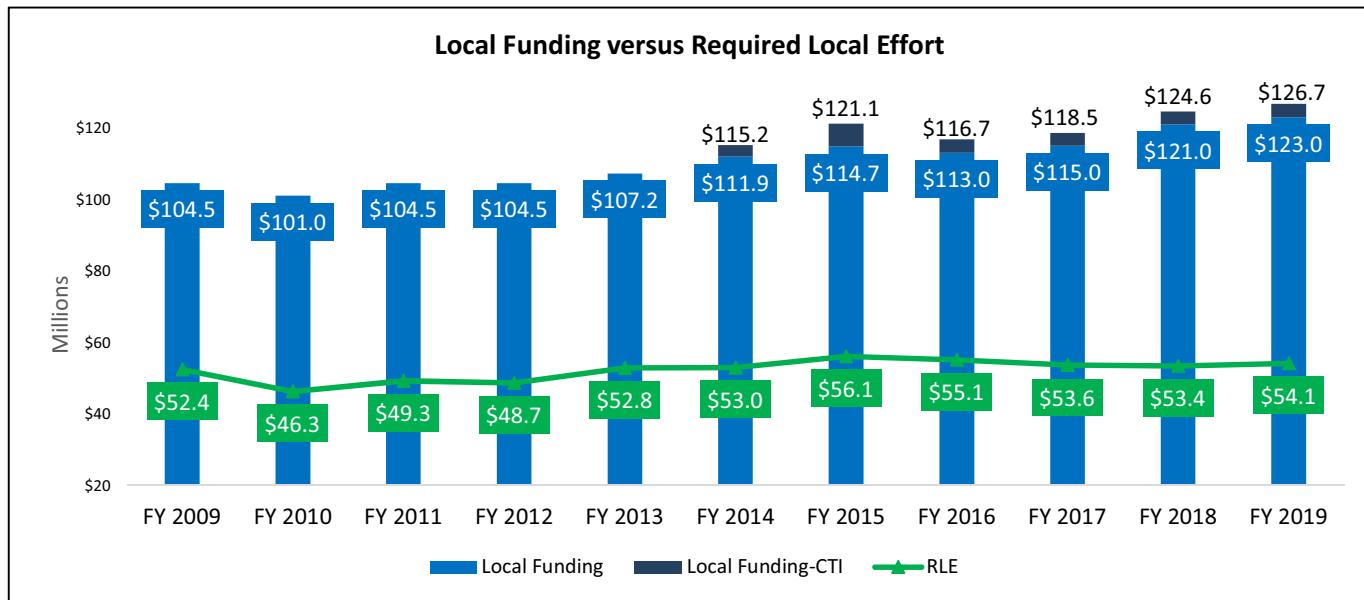


* Includes Construction, Technology, and Infrastructure (CTI) funding. FY 2018 and FY 2019 are budgeted amounts, all others are actuals.

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. In contrast to the state, the city does not decrease its support when student enrollment declines. Student enrollment is projected to decline by 595 students in FY 2019, but the city's ongoing support will increase by \$5 million in FY 2019 (by making the \$3 million in one-time funds awarded in FY 2018 permanent and adding an additional \$2 million). Since 2009, local support has increased by \$22.2 million or 21.2 percent despite declining enrollment. This amount includes the Construction, Technology, and Infrastructure program (CTI).

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.

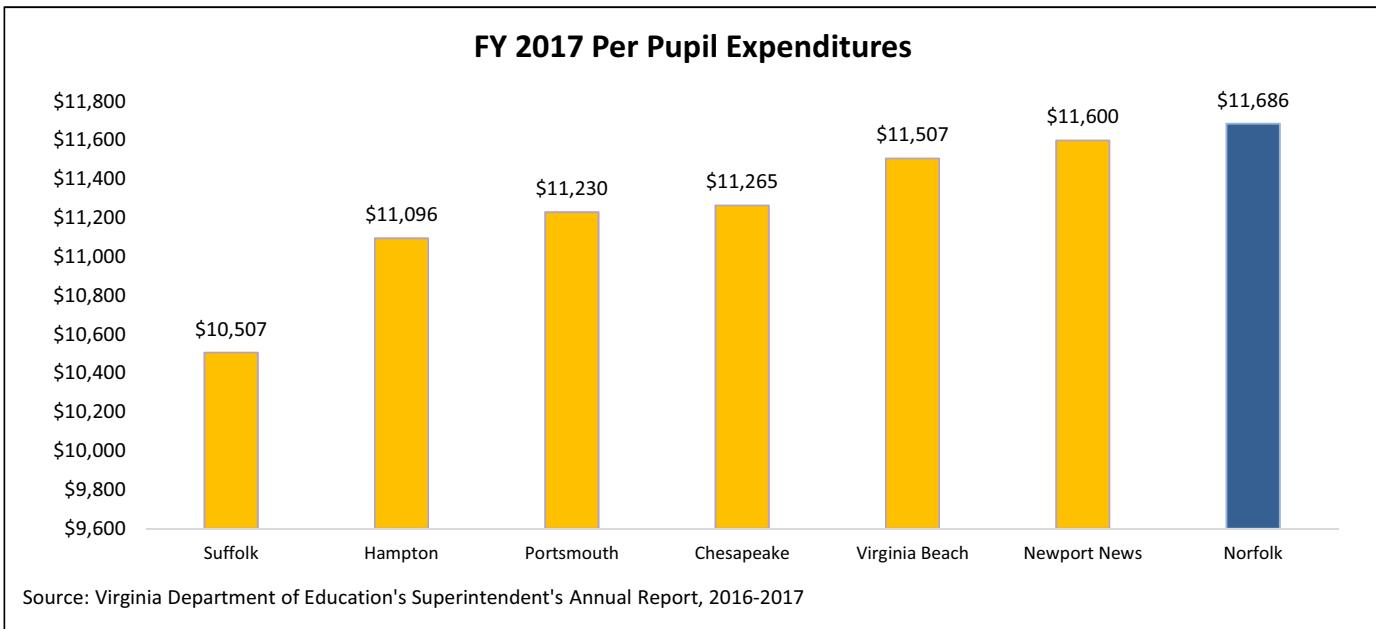
Local Composite Index: The Local Composite Index (LCI) was formulated by the state to measure a locality's ability to fund education. The LCI is calculated using three measures of the local tax base: true real estate values (50 percent of measure); adjusted gross income (40 percent of measure); and local taxable retail sales (10 percent of measure). LCI calculations for the 2018-2020 biennium are based on 2015 data from the Virginia Department of Taxation. The local tax measures are combined with two per capita components: 2016 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 2019 is 0.2958, 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. The city consistently provides more than 100 percent of the required amount.



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

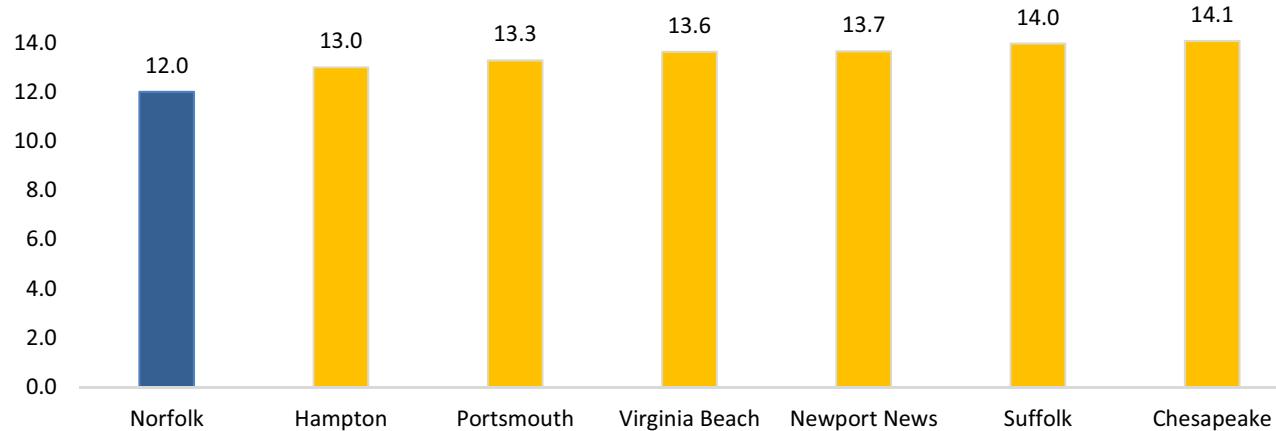
Additionally, the city provides support for NPS related to capital debt service, landscape maintenance, school resource officers, and other services valued at over \$20 million in FY 2019. The city's FY 2019 - FY 2023 Capital Improvement Plan (CIP) continues support for facilities maintenance and school bus replacement.

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. The most recent available report is for FY 2017 and **Norfolk Public Schools has the highest PPE in the region.**



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 2017 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.

FY 2017 Pupil-Teacher Ratio



Source: Virginia Department of Education's Superintendent's Annual Report, 2016-2017

Starting Teacher Salaries: Starting teacher salaries (including regular K-12, art, music, physical education, technology, remedial, gifted, mathematics, reading, special education, and ESL) are reported to the Virginia Department of Education by each division on an annual basis. For FY 2018, divisions reported the annual salary for three education levels. NPS is above the regional average for all three education levels.

FY 2018 Starting Teacher Salaries

School Division	Bachelor's	Master's	Doctorate
Chesapeake	\$43,200	\$46,400	\$49,600
Hampton	\$43,700	\$46,300	\$48,300
Newport News	\$43,250	\$46,278	\$49,574
Norfolk	\$43,622	\$47,122	\$51,422
Portsmouth	\$43,622	\$46,122	\$49,622
Suffolk	\$40,677	\$43,621	\$45,932
Virginia Beach	\$44,796	\$47,296	\$48,896
Regional Average	\$43,267	\$46,163	\$49,049
Highest of Hampton Roads	Virginia Beach	Virginia Beach	Norfolk

Source: Virginia Department of Education, 2017-2018 Teacher Salary Survey

CONSTRUCTION, TECHNOLOGY, AND INFRASTRUCTURE

Program Overview

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.

Dedicated Funding for FY 2019: \$3,702,000

History of Funding

Prior CTI Funds	\$17,302,100
FY 2019 CTI Funds	\$3,702,000
Total CTI Funds Appropriated	\$21,004,100

PERFORMANCE MEASURES

Norfolk Public Schools (NPS) FY 2018 Achievable Results (GOALS)

- 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

Priority: Lifelong Learning

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 NPS)	FY 2016 Actual	FY 2017 Actual	FY 2018 State Benchmark	FY 2019 State Benchmark
Increase division level pass rates on SOLs (Standards of Learning)				
Grade 3 Reading	64	66	75	75
Grade 3 Mathematics	67	65	70	70
Grade 4 Reading	68	70	75	75
Grade 4 Mathematics	74	72	70	70
Grade 5 Reading	74	75	75	75
Grade 5 Mathematics	73	71	70	70
Grade 5 Virginia Studies	83	81	70	70
Grade 5 Science	72	67	70	70
Grade 6 Reading	64	67	75	75
Grade 6 Mathematics	77	67	70	70
Grade 7 Reading	71	73	75	75
Grade 7 Mathematics	49	46	70	70
Grade 8 English	63	65	75	75
Grade 8 Writing	57	61	75	75
Grade 8 Mathematics	51	68	70	70
Grade 8 Civics and Economics	79	80	70	70
Grade 8 Science	64	68	70	70

Measure (As Reported by NPS)	FY 2016 Actual	FY 2017 Actual	FY 2018 State Benchmark	FY 2019 State Benchmark
End-of-Course English: Reading	84	83	75	75
End-of-Course English: Writing	79	79	75	75
End-of-Course Algebra I	77	73	70	70
End-of-Course Geometry	80	75	70	70
End-of-Course Algebra II	93	92	70	70
End-of-Course Virginia and US History	71	74	70	70
End-of-Course World History I	74	86	70	70
End-of-Course World History II	79	78	70	70
End-of-Course Earth Science	80	77	70	70
End-of-Course Biology	80	74	70	70
End-of-Course Chemistry	90	94	70	70
End-of-Course World Geography	94	71	70	70

ADOPTED FY 2019 BUDGET ACTIONS

- **Increase local support for schools** **\$5,000,000**

Provide an additional \$5,000,000 for ongoing operating support. This budget action establishes the baseline level of funding for the Local Revenue Allocation Policy.

- **Adjust support for Construction, Technology, and Infrastructure program** **\$84,000**

Adjust support for Construction, Technology, and Infrastructure (CTI) program based on an increase in real estate assessments. The total amount, \$3,702,000, in the Adopted FY 2019 Budget will be used for debt service payments for recent school construction. The CTI program is designed to supplement the city's existing efforts for school construction and major maintenance.

- **Update SOQ and state support** **\$1,582,756**

Adjust support to NPS based on the 2018 - 2020 biennial budget as introduced by the Governor. Standards of Quality (SOQ) rebenchmarking is completed every two years and coincides with the beginning of the Commonwealth's biennial budget cycle. The General Assembly did not pass a budget during the 2018 regular session, and will reconvene in special session in April; when a biennial budget is passed, these figures will be updated. The estimated FY 2019 state support here does not include an estimated \$1,220,000 in revenue associated with the Virginia Public School Authority (VPSA) Technology program, which would have been included in previous years' support calculations. Norfolk Public Schools is moving revenue associated with this program from its Operating Fund to its Grant Fund to better reflect the program's financial structure. This update also includes funds related to sales tax receipts.

- **Adjust FY 2019 local revenue estimate** **(\$602,951)**

Technical adjustment based on a decline in miscellaneous local revenues received from sources such as tuition, fees, surplus sales, building rentals, and other small revenue items. This adjustment is based on the School Board's Proposed FY 2019 Budget.

- **Remove one-time funding for NPS** **(\$3,000,000)**

Technical adjustment to remove one-time funds provided for operating support in FY 2018.

Norfolk Public Schools

Total: \$3,063,805

NORFOLK PUBLIC SCHOOLS SUMMARY

The School Board issues a separate, detailed budget document which identifies grant revenues in addition to the School Operating Budget. The FY 2016 and FY 2017 Actual amounts are provided by NPS. The FY 2018 and FY 2019 Adopted amounts are approved by City Council.

Revenue Summary

	FY 2016 Actual	FY 2017 Actual	FY 2018 Adopted	FY 2019 Adopted
Operating Revenue from the City	112,471,922	114,971,922	117,971,922	122,971,922
Construction, Technology, and Infrastructure				
<i>Infrastructure and Technology to NPS</i>	1,500,000	0	0	0
<i>Debt Service</i>	1,932,300	3,527,400	3,618,000	3,702,000
<i>Unspent CTI Funds</i>	0	0	0	0
Total CTI	3,432,300	3,527,400	3,618,000	3,702,000
Total ongoing support	115,904,222	118,499,322	121,589,922	126,673,922
One-time support				
CTI carryforward to NPS for Infrastructure and Technology (from FY 2014 unspent CTI funds)	246,600	0	0	0
One-time support	550,000	0	3,000,000	0
Subtotal one-time support	796,600	0	3,000,000	0
Total City Revenue	116,700,822	118,499,322	124,589,922	126,673,922
Revenue from Commonwealth	182,368,746	185,922,163	191,027,436	192,610,192
Revenue from Federal Funds	5,399,128	5,263,558	5,651,426	5,651,426
Revenue from Other Funds	3,691,408	3,637,903	4,023,361	3,420,410
NPS Carryforward	4,410,913	3,149,274	0	0
Subtotal State and Other	195,870,195	197,972,898	200,702,223	201,682,028
Total Operating Revenues	312,571,017	316,472,220	325,292,145	328,355,950
Total Grant Revenues and School Nutrition Funds	57,898,212	56,797,895	54,222,017	57,200,000
Total Revenues	370,469,229	373,270,115	379,514,162	385,555,950
Additional Services Provided¹ (see next page for details)	15,013,760	22,265,947	19,009,032	24,877,128
Grand Total Support Received	385,482,989	395,536,062	398,523,194	410,433,078

¹ Additional services exclude school construction and reflect the adjustment of School Crossing Guards from NPD to NPS in FY 2015. These amounts are now included in Revenue from the City.

Expenditure Summary

	FY 2016 Actual	FY 2017 Actual	FY 2018 Adopted	FY 2019 Adopted
School Operating Budget	308,887,807	313,115,532	325,292,145	328,355,950
Grants and Special Programs	38,876,716	37,986,434	35,022,017	38,000,000
Child Nutrition Services	17,952,330	18,277,589	19,200,000	19,200,000
Total Expenditures	365,716,853	369,379,555	379,514,162	385,555,950

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

	FY 2016 Actual	FY 2017 Actual	FY 2018 Adopted	FY 2019 Adopted
Debt Service for School Buses	309,850	347,780	904,650	938,477
Debt Service for School Construction and Maintenance Projects ¹	9,395,531	16,231,859	14,514,755	16,231,859
Grounds Maintenance	681,294	693,375	695,000	694,000
School Resource Officers	877,085	992,933	894,627	1,012,792
Subtotal Other City Support	11,263,760	18,265,947	17,009,032	18,877,128
Ongoing School Maintenance	3,750,000 ²	4,000,000	2,000,000	6,000,000
Grand Total Additional Services Provided	15,013,760	22,265,947	19,009,032	24,877,128

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, and Grounds Maintenance is in the Recreation, Parks and Open Space budget.

¹In December, 2014, the city established a revolving line of credit (the "Line") to be used as low cost flexible interim financing. By matching borrowing to school construction, renovation, and maintenance costs the city has been able to reduce its short-term debt service expenditures. Through utilization of the Line, the city has benefited from both low interest costs and better flexibility to time its long-term debt issuance.

² NPS received an additional \$250,000 to address school maintenance in the FY 2016 Budget amendment.

SCHOOL OPERATING FUND

Operating Revenues

	FY 2016 Actual	FY 2017 Actual	FY 2018 Adopted	FY 2019 Adopted
Revenue from Commonwealth				
Standards of Quality Funds				
Basic Aid	83,986,359	86,503,419	85,183,732	87,785,289
Textbook Payments	1,140,032	355,343	2,196,791	1,984,192
Vocational Education Standards of Quality (SOQ)	936,588	993,825	980,531	1,458,240
Gifted Education	956,948	973,542	960,521	985,297
Special Education SOQ	9,915,614	9,390,628	9,265,022	10,385,033
Prevention, Intervention and Remediation	5,823,133	6,125,204	6,043,275	5,537,371
Fringe Benefits	16,761,776	17,544,046	18,590,075	18,582,707
English as a Second Language (ESL) ¹	0	0	707,668	716,795
Remedial Summer School	797,514	806,236	806,236	709,143
Total Standards of Quality Funds	120,312,964²	122,692,243	124,733,851	128,144,067
State Sales Taxes	32,400,377	32,617,800	32,536,797	33,614,795
Lottery Funded Programs	25,851,400	28,873,695	24,745,935	24,945,328
Other State Funds	3,804,005	1,738,425	9,010,853	5,906,002
Total from Commonwealth	182,368,746	185,922,163	191,027,436	192,610,192
Total Federal	5,399,128	5,263,558	5,651,426	5,651,426
Total City Funds	116,700,822	118,499,322	124,589,922	126,673,922
Total Other Revenue	3,691,408	3,637,903	4,023,361	3,420,410
Total Carryforwards	4,410,913	3,149,274	0	0
Total Revenues	312,571,017	316,472,220	325,292,145	328,355,950

¹English as a Second Language moved back to Standards of Quality funds from Lottery Funds in FY 2017.

²The total Standards of Quality funds for FY 2016 reflects the removal of \$5,000. This is consistent with the NPS Approved budget document.

Operating Expenditures

Expenditures	Positions		FY 2016 Actual	FY 2017 Actual	FY 2018 Adopted	FY 2019 Adopted
	FY 2018	FY 2019				
Instructional Services	3,143	3,095	234,495,960	235,305,390	241,720,319	243,498,098
Administration, Attendance, and Health	184	187	15,892,770	16,358,309	18,149,316	19,172,582
Pupil Transportation	287	294	12,355,477	12,396,762	13,822,722	13,785,647
Operations/ Maintenance	412	411	33,973,285	34,867,496	35,791,376	36,703,503
Community Services	0	0	697	0	0	0
Facility Improvements	0	0	1,355,152	348,808	1,439,989 ¹	1,400,000 ¹
Information Technology	63	63	8,882,166	10,311,367	10,750,423	10,094,120
School Operating Budget	4,088	4,050	306,955,507	309,588,132	321,674,145	324,653,950
Construction Technology and Infrastructure			1,932,300	3,527,400	3,618,000	3,702,000
Grand Total Operating and CTI			308,887,807	313,115,532	325,292,145	328,355,950
Difference from City Revenue						0
Total Expenditures						328,355,950

¹ This amount differs from the NPS Approved FY 2018 and NPS Proposed FY 2019 budgets. The NPS budgets for facilities improvements includes CTI funds, which is shown in the Construction, Technology, and Infrastructure line.

SCHOOL GRANTS

Grants and Special Programs Summary

	FY 2016 Actual	FY 2017 Actual	FY 2018 Estimated	FY 2019 Estimated
Federal Grants	34,047,574	32,963,034	29,796,067	31,000,000
Commonwealth of Virginia Grants	4,175,241	4,073,615	4,081,600	5,500,000
Other/Foundation Grants	653,901	949,785	1,144,350	1,500,000
Total Grant Revenues	38,876,716	37,986,434	35,022,017	38,000,000

Grants and Special Programs Expenditure Summary

Federal Grants

	FY 2016 Actual	FY 2017 Actual	FY 2018 Estimated	FY 2019 Estimated
Compensatory Programs	20,667,825	20,153,663	15,103,707	15,103,707
Special Education	9,860,104	8,816,288	7,371,912	7,371,912
Career, Technical and Adult Education	1,131,631	991,636	1,027,340	1,027,340
Other Projects	2,388,014	3,001,447	6,293,108	7,497,041
Total Federal Grants	34,047,574	32,963,034	29,796,067	31,000,000

Commonwealth of Virginia Grants

	FY 2016 Actual	FY 2017 Actual	FY 2018 Estimated	FY 2019 Estimated
Career, Technical and Adult Education	156,268	186,358	180,171	180,171
State Operated Facilities	2,994,482	3,032,006	3,120,674	3,120,674
Special Education	184,168	167,770	172,754	172,754
Virginia Technology Initiative	364,089	328,791	375,000	0
Other Grants	476,234	358,690	233,001	2,026,401
Total Commonwealth of Virginia Grants	4,175,241	4,073,615	4,081,600	5,500,000

OTHER/FOUNDATION GRANTS

	FY 2016 Actual	FY 2017 Actual	FY 2018 Estimated	FY 2019 Estimated
Other/Foundation Grants	653,901	949,785	1,144,350	1,500,000
Total Other/Foundation Grants	653,901	949,785	1,144,350	1,500,000
Total Grants and Special Programs	38,876,716	37,986,434	35,022,017	38,000,000

CHILD NUTRITION SERVICES

Revenues	FY 2016 Actual	FY 2017 Actual	FY 2018 Adopted	FY 2019 Adopted
Sales	1,383,900	1,362,273	1,537,400	1,635,000
Federal and State Food Program Reimbursements	16,422,282	16,283,283	16,350,000	16,280,000
Federal Commodities Donated	1,087,767	1,088,495	1,200,000	1,200,000
Interest Earned	17,161	23,500	16,000	16,000
Other Revenue	110,386	53,910	96,600	69,000
Total Revenues	19,021,496	18,811,461	19,200,000	19,200,000

Expenditures	FY 2016 Actual	FY 2017 Actual	FY 2018 Adopted	FY 2019 Adopted
Cost of Goods Sold	9,339,519	9,567,809	9,489,929	9,132,795
Employee Compensation	7,321,915	7,271,761	7,922,928	8,272,418
Supplies and Materials	97,535	97,099	94,000	94,000
Equipment and Other Costs	1,193,361	1,340,920	1,693,143	1,700,787
Total Expenditures	17,952,330	18,277,589	19,200,000	19,200,000
Excess of Revenues Over Expenditures	1,069,166	533,872	0	0
Fund Balance – Beginning of Year	7,185,077	8,254,243	8,788,115	8,788,115
Fund Balance – End of Year	8,254,243	8,788,115	8,788,115	8,788,115

LOCAL REVENUE ALLOCATION POLICY

PURPOSE

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

"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

Initial Estimate: In September, the city's Office 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 Office 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 Office 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 Office 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.

Sources of Non-Dedicated Local Tax Revenue¹	
Real Estate tax ²	Real Estate Public Service Corporation tax ²
Personal Property tax ²	Transient Occupancy (Hotel) tax
Sales and Use tax	Machinery and Tools tax ²
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

¹Less dedications as described in the "Dedicated Local Taxes" in the Definitions section.

²Does 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 Office 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 Office 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

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

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.

This page intentionally left blank