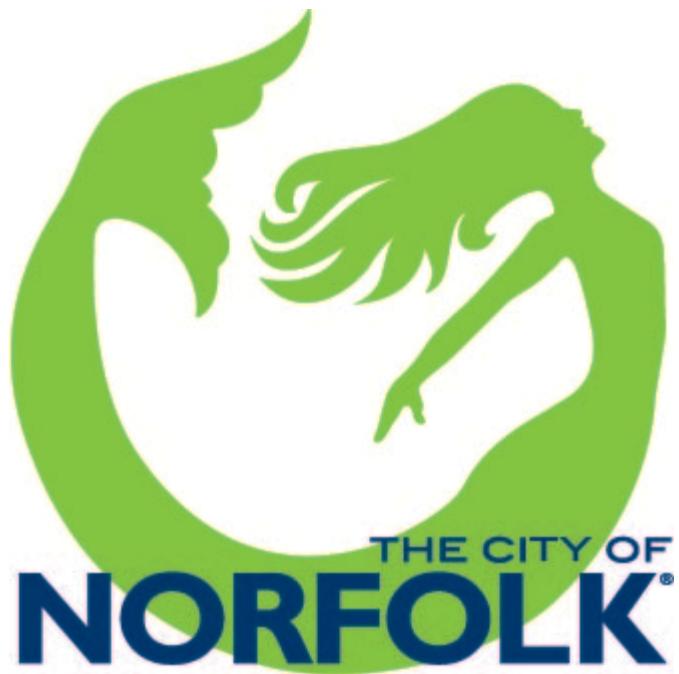

Public School Education



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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:

- Creating authentic and culturally relevant learning experiences so that each student will be a creative, collaborative, civic minded, critical thinker with effective communication skills
- Attracting and retaining a highly qualified workforce
- Ensuring equitable allocation of human, fiscal and material resources
- Establishing, strengthening, and sustaining community partnerships to support students' engagement, success, and opportunities
- Cultivating a safe, caring, and welcoming environment whereby the physical and social emotional needs of each student and member of the NPS workforce are valued

DIVISION OVERVIEW

NPS is the largest urban school division and the tenth division overall in the Commonwealth of Virginia. The division enrolls a racially and economically diverse population of approximately 26,500 students, supported by more than 4,600 employees in 48 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

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

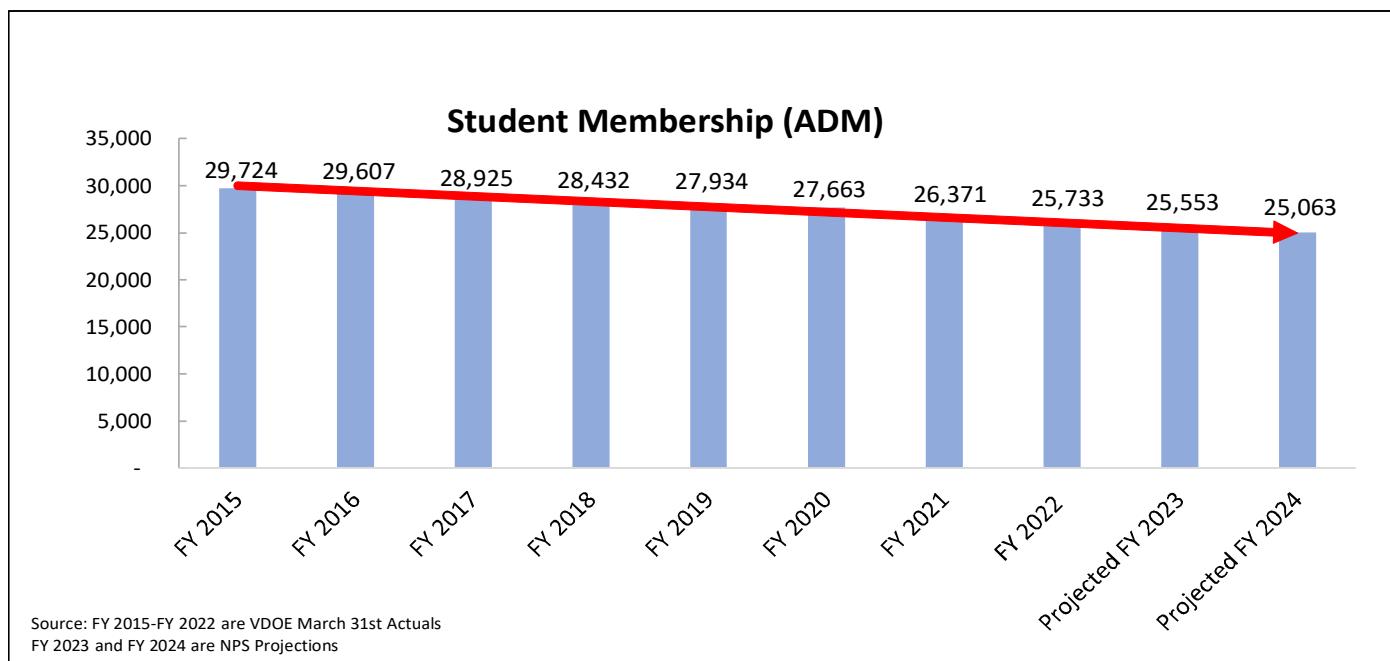
The division receives financial support from several sources:

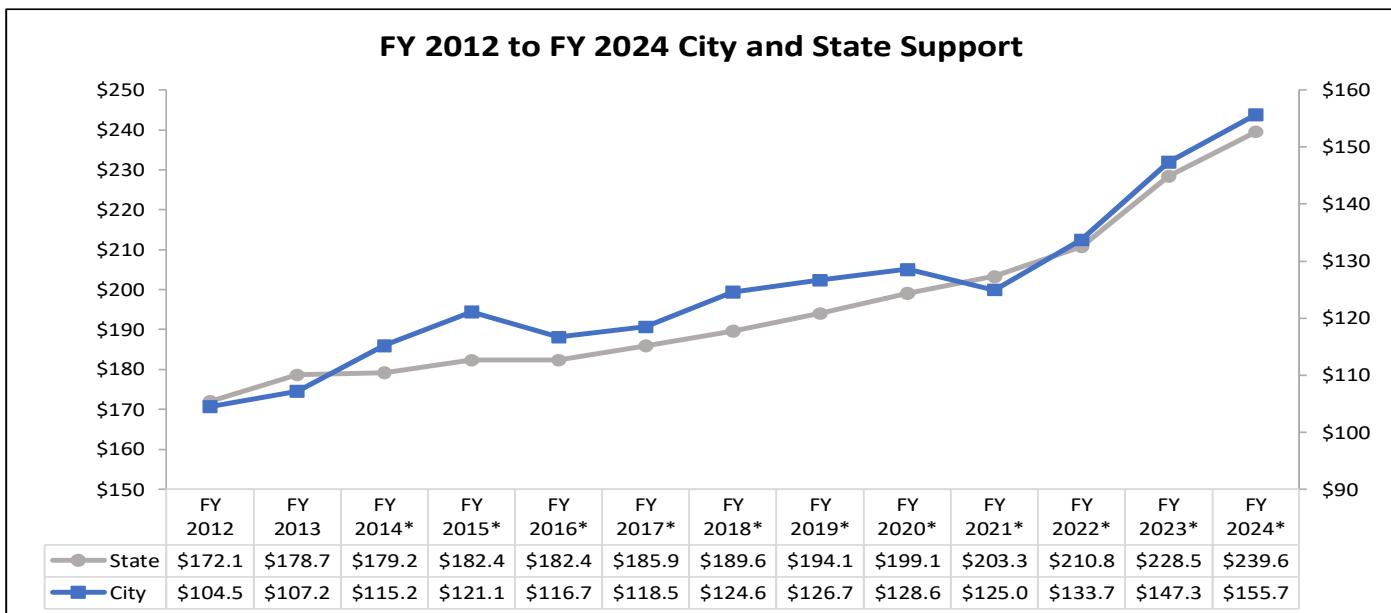
- Commonwealth of Virginia
- City of Norfolk
- Federal Government
- Local Fees and Revenues

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 31st ADM to decline from 25,553 in FY 2023 to 25,063 in FY 2024, a decrease of 490 students. Since 2015, ADM has decreased by 3,991 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.



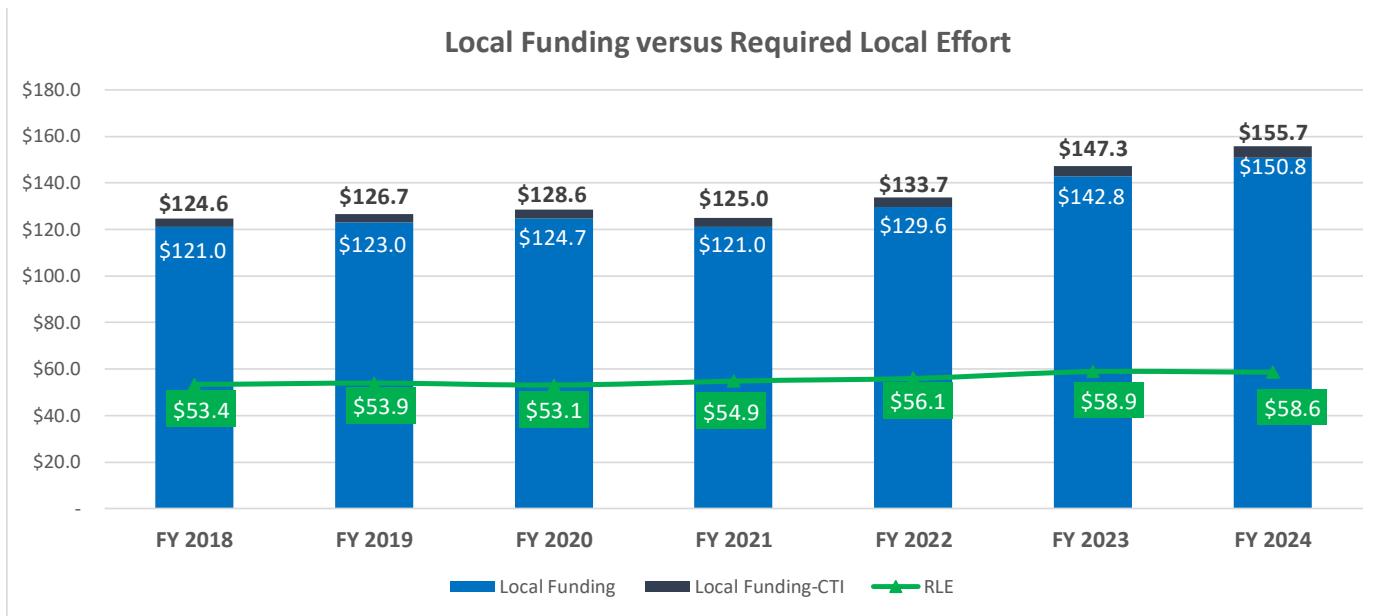


* Includes Construction, Technology, and Infrastructure (CTI) funding. FY 2023 and FY 2024 are budgeted amounts; all others are actuals. State funding figure for FY 2019 reflects City of Norfolk's Adopted Budget; subsequently, the General Assembly passed a budget that provided \$1.3 million in additional 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.

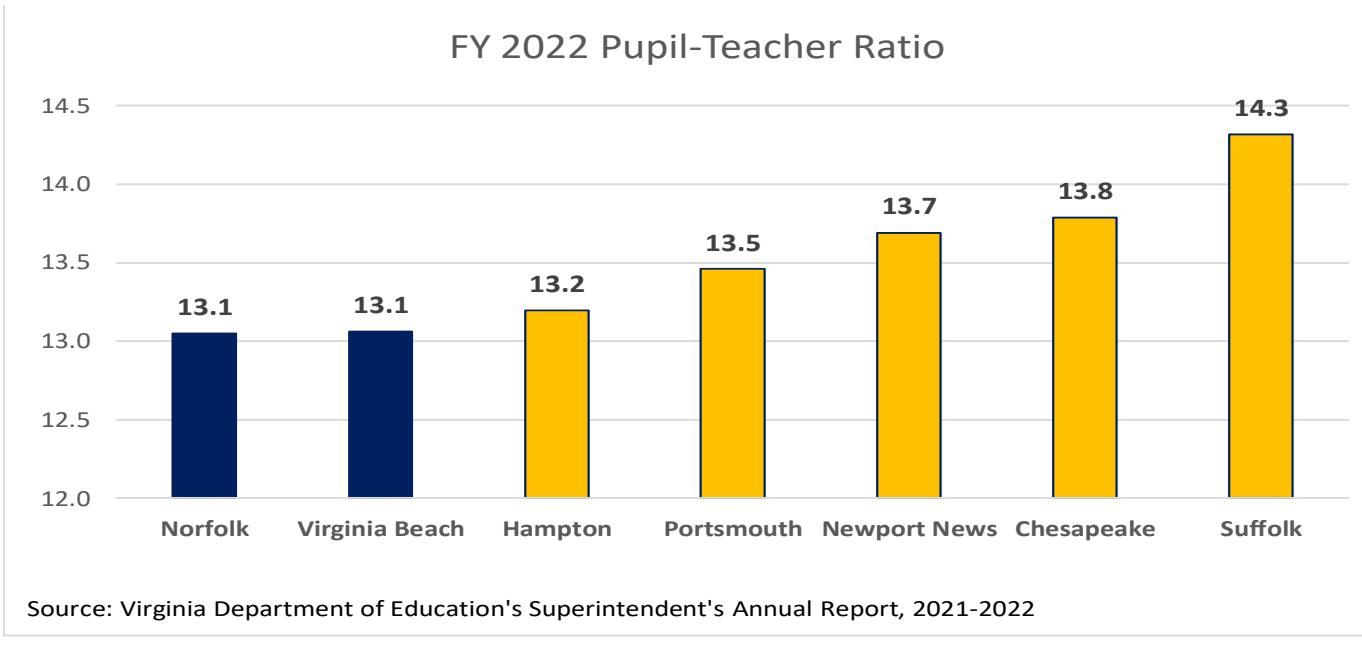
Local Composite Index: The Local Composite Index (LCI) was formulated by the state to measure a locality's ability to fund education. The LCI is calculated using three measures of the local tax base: true real estate values (50 percent of measure); adjusted gross income (40 percent of measure); and local 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 2024 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.



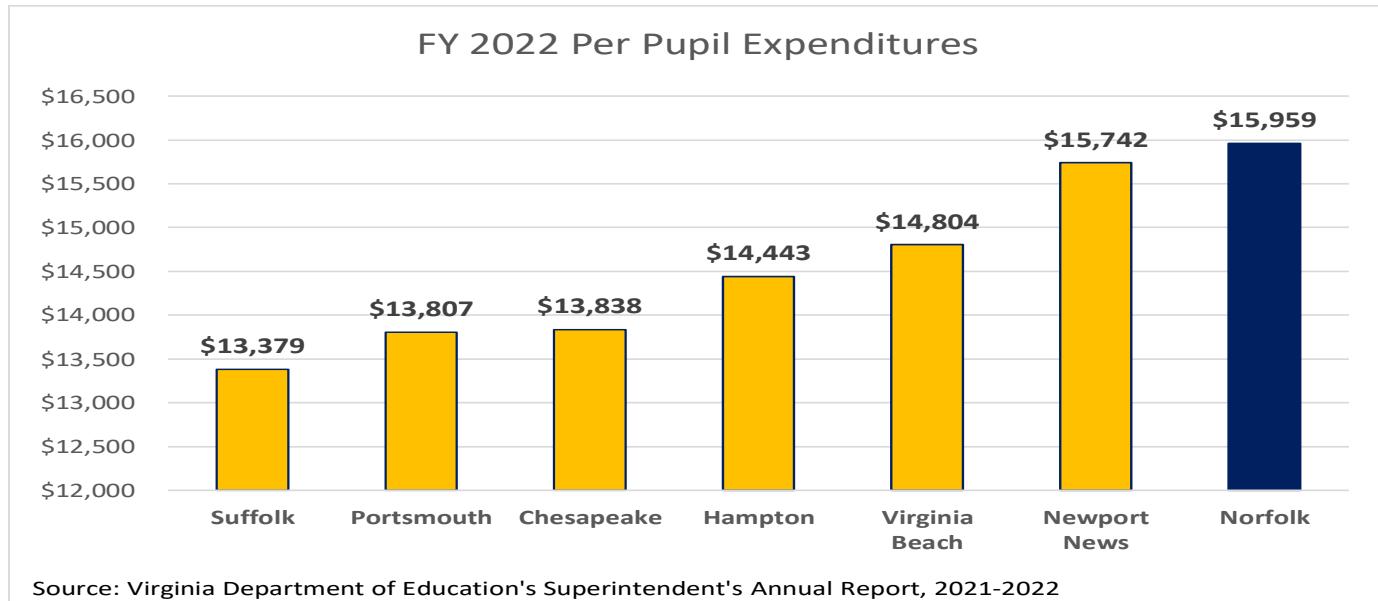
*FY 2015 includes \$3.0 million and FY 2016 includes \$246,600 in CTI carryforward from FY 2014.

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 \$47 million in FY 2024. The city's FY 2024 - FY 2028 Capital Improvement Plan (CIP) continues support for facilities maintenance and school bus replacement. In FY 2022, city council passed a resolution for school construction to prioritize the consolidation, replacement and renovation of facilities across Norfolk Public Schools.

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 2022 and Norfolk and Virginia Beach have the lowest pupil-teacher ratio in Hampton Roads. The data reflects a weighted average that account for elementary and secondary teachers at each division.



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.



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.

Adopted Funding for FY 2024: \$4,864,000

History of Funding

Prior CTI Funds	\$37,463,300
FY 2024 Proposed CTI Funds	\$4,864,000
Total CTI Funds Appropriated	\$42,327,300

PERFORMANCE MEASURES

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

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 the 2021-2022 school year. 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

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 VDOE)	FY 2021 Results	FY 2022 Results	FY 2021 State Benchmark	FY 2022 State Benchmark
Increase division level pass rates on SOLs (Standards of Learning)				
Grade 3 Reading	45	60	75	75
Grade 3 Mathematics	27	52	70	70
Grade 4 Reading	50	65	75	75
Grade 4 Mathematics	27	49	70	70
Grade 5 Reading	49	59	75	75
Grade 5 Mathematics	25	44	70	70
Grade 5 History & Social Science	N/A	N/A	70	85
Grade 5 Science	27	39	70	70
Grade 6 Reading	54	51	75	75
Grade 6 Mathematics	16	27	70	70
Grade 7 Reading	57	58	75	75
Grade 7 Mathematics	11	24	70	70
Grade 8 Reading	54	60	75	75
Grade 8 Writing	<50	38	75	75

Measure (As Reported by VDOE)	FY 2021 Results	FY 2022 Results	FY 2021 State Benchmark	FY 2022 State Benchmark
Grade 8 Mathematics	19	33	70	70
Grade 8 History & Social Science	N/A	N/A	85	85
Grade 8 Science	32	42	70	70
End-of-Course English: Reading	74	76	75	75
End-of-Course English: Writing	58	59	75	75
End-of-Course Algebra I	34	63	70	70
End-of-Course Geometry	54	64	70	70
End-of-Course Algebra II	58	89	70	70
End-of-Course Virginia and U.S. History	18	25	85	85
End-of-Course World History I	42	41	85	85
End-of-Course World History II	52	54	85	85
End-of-Course Earth Science	53	60	70	70
End-of-Course Biology	37	56	70	70
End-of-Course Chemistry	42	62	70	70
End-of-Course World Geography	38	47	70	70

ADOPTED FY 2024 BUDGET ACTIONS

- **Adjust local support for schools** \$10,506,302

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

- **Adjust support for Construction, Technology, and Infrastructure program** \$360,600

Adjust support for Construction, Technology, and Infrastructure (CTI) program based on an increase in real estate assessments. The total amount \$4,864,000 in the Adopted FY 2024 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** \$11,143,831

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.

- **Update Federal support** \$195,000

Technical adjustment to increase federal funding for schools based on the NPS estimate in the Superintendent's Proposed FY 2024 Budget. Federal revenue for NPS consists primarily of Federal Impact Aid (FIA), which is based on the number of children in Norfolk who are associated with or directly impacted by federal programs, including children living in government-supplied housing on military bases. Reimbursements for approved services for medicaid-eligible students and NJROTC funding are also included as federal support

Norfolk Public Schools

Total: \$22,205,733

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 2021 and FY 2022 Actual amounts are provided by NPS. The FY 2023 Adopted amount is approved by City Council.

Revenue Summary

	FY 2021 Actual	FY 2022 Actual	FY 2023 Adopted	FY 2024 Adopted
Operating Revenue from the City	120,355,835	129,622,172	140,290,124	150,796,426
<i>Revenue Sharing Agreement</i>				
<i>Reversion Funds</i>	0	0	2,556,191	0
Subtotal Operating Revenue from the City	120,355,835	129,622,172	142,846,315	150,796,426
Debt Service Support				
<i>CTI Debt Service</i>	3,980,000	4,124,800	4,503,400	4,864,000
Subtotal Debt Service Support	3,980,000	4,124,800	4,503,400	4,864,000
Subtotal Ongoing Support	124,335,835	133,746,972	147,349,715	155,660,426
One-time Support				
<i>Additional appropriation</i>	0	0	0	0
Subtotal One-time Support	0	0	0	0
Total City Revenue	124,335,835	133,746,972	147,349,715	155,660,426
Revenue from Commonwealth	206,166,977	210,820,101	228,455,915	239,599,746
Revenue from Federal Funds	4,252,933	6,147,254	5,305,000	5,500,000
Revenue from Other Funds	2,426,356	3,266,795	4,070,000	3,815,000
Subtotal State and Other	212,846,266	220,234,150	237,830,915	248,914,746
Total Operating Revenues	337,182,101	353,981,122	385,180,630	404,575,172
Total Grant Revenues and School Nutrition Funds¹	59,415,558	112,751,485	67,489,441	66,615,847
Total Revenues	396,597,659	466,732,607	452,670,071	471,191,019
Additional Services Provided² (see next page for details)	22,975,926	22,975,926	40,998,995	47,369,217
Grand Total Support Received	419,573,585	489,709,533	493,669,066	518,560,236

¹School Nutrition Funds revenues include transfers of \$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.

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

Expenditure Summary

	FY 2021 Actual	FY 2022 Actual	FY 2023 Adopted	FY 2024 Adopted
School Operating Budget	321,441,213	343,066,532	385,180,630	404,575,172
Grants and Special Programs	47,141,044	68,574,161	44,489,441	42,615,847
Child Nutrition Services	12,274,514	16,113,654	23,000,000	24,000,000
Total Expenditures	380,856,771	427,754,347	452,670,071	471,191,019

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

	FY 2021 Actual	FY 2022 Actual	FY 2023 Adopted	FY 2024 Adopted
Debt Service for School Buses	902,650	872,250	863,718	713,226
Debt Service for School Construction and Maintenance Projects ¹	15,947,399	15,914,931	17,768,004	17,622,793
Grounds Maintenance	679,120	836,670	710,000	830,000
School Resource Officers	1,043,935	1,273,642	1,965,088	1,311,851
Subtotal Other City Support	18,573,104	18,897,493	21,306,810	20,477,870
Ongoing School Maintenance	4,402,822	26,700,000	18,692,185	25,891,347
Acquire School Buses	0	1,000,000	1,000,000	1,000,000
Grand Total Additional Services Provided	22,975,926	46,597,493	40,998,995	47,369,217

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 2021 Actual	FY 2022 Actual	FY 2023 Adopted	FY 2024 Adopted
Revenue from Commonwealth				
Standards of Quality Funds				
Basic Aid	84,819,862	79,095,366	83,631,127	87,863,102
Textbook Payments	1,963,547	1,919,524	2,326,830	2,303,747
Vocational Education Standards of Quality (SOQ)	1,352,029	1,321,715	1,353,421	1,583,630
Gifted Education	950,074	928,773	966,729	957,139
Special Education SOQ	10,523,898	10,287,947	10,967,985	10,859,177
Prevention, Intervention and Remediation	5,462,926	5,340,445	5,571,877	5,516,601
Fringe Benefits	18,946,669	18,646,903	19,475,204	19,630,051
English as a Second Language (ESL) ¹	1,082,062	1,115,682	1,518,994	1,742,779
Remedial Summer School	458,859	1,828,627	1,034,529	1,247,187
Total Standards of Quality Funds	125,559,926	120,484,982	126,846,696	131,703,413
State Sales Taxes	38,758,193	42,835,232	40,242,034	39,319,527
Lottery Funded Programs	24,790,726	30,441,128	25,598,143	25,529,621
Other State Funds	17,058,132	17,058,759	35,769,042	43,047,185
Total from Commonwealth	206,166,977	210,820,101	228,455,915	239,599,746
Total Federal	4,252,933	6,147,254	5,305,000	5,500,000
Total City Funds	124,335,835	129,622,172	147,349,715	155,660,426
Total Other Revenue	2,426,356	3,266,795	4,070,000	3,815,000
Total Carryforwards	0	0	0	0
Total Revenues	337,182,101	349,856,322	385,180,630	404,575,172

Operating Expenditures

Expenditures	Positions		FY 2021 Actual	FY 2022 Actual	FY 2023 Adopted	FY 2024 Adopted
	FY 2023	FY 2024				
Instructional Services	3,123	3,124	242,779,679	254,431,001	276,534,872	290,990,632
Administration, Attendance, and Health	204	203	18,886,318	23,229,307	22,977,639	23,204,373
Pupil Transportation	295	295	9,881,031	16,022,942	14,833,274	16,414,232
Operations/ Maintenance	423	441	33,103,915	42,860,461	42,266,493	45,278,891
Facility Improvements	0	0	938,202	440,773	1,297,600 ¹	3,498,000 ¹
Information Technology	93	93	11,872,068	13,274,912	14,307,809	17,129,221
School Operating Budget	4,138	4,156	317,461,213	350,259,396	372,217,687	396,515,349
Construction Technology and Infrastructure			3,980,000	4,124,800	4,503,400	4,864,000
Grand Total Operating and CTI			321,441,213	354,384,196	376,721,807	401,379,349
Difference from City Revenue²					8,458,823	3,195,823
Total Expenditures			321,441,213	354,384,196	385,180,630	404,575,172

¹These amounts differ from the NPS Approved FY 2023 and NPS Proposed FY 2024 budgets. The NPS budget for facilities improvements includes CTI funds, which is shown in the Construction, Technology, and Infrastructure line.

²Norfolk Public Schools' total operating amount differs from city revenue amount due to increased city revenue contribution.

SCHOOL GRANTS

Grants and Special Programs Summary

	FY 2021 Actual	FY 2022 Actual	FY 2023 Estimated	FY 2024 Estimated
Federal Grants	42,347,665	63,735,369	35,978,311	34,104,717
Commonwealth of Virginia Grants	4,559,689	4,305,116	7,109,406	7,109,406
Other/Foundation Grants	233,690	533,676	1,401,724	1,401,724
Total Grant Revenues	47,141,044	68,574,161	44,489,441	42,615,847

Grants and Special Programs Expenditure Summary

Federal Grants

	FY 2021 Actual	FY 2022 Actual	FY 2023 Estimated	FY 2024 Estimated
Compensatory Programs	18,927,526	23,593,038	20,043,859	20,043,859
Special Education	7,516,473	9,000,894	7,556,517	7,556,517
Career, Technical and Adult Education	1,174,812	1,467,134	1,167,247	1,167,247
Other Projects	457,206	600,597	5,337,094	5,337,094
Coronavirus Response Funds	14,271,648	29,073,705	1,873,594	0
Total Federal Grants	42,347,665	63,735,368	35,978,311	34,104,717

COMMONWEALTH OF VIRGINIA GRANTS

	FY 2021 Actual	FY 2022 Actual	FY 2023 Estimated	FY 2024 Estimated
Career, Technical and Adult Education	265,778	218,129	256,883	256,883
State Operated Facilities	2,182,792	2,449,749	3,202,737	3,202,737
Special Education	135,798	164,655	201,547	201,547
Virginia Technology Initiative	0	0	0	0
Other Grants	1,975,321	1,472,583	3,448,239	3,448,239
Total Commonwealth of Virginia	4,559,689	4,305,116	7,109,406	7,109,406

OTHER/FOUNDATION GRANTS

	FY 2021 Actual	FY 2022 Actual	FY 2023 Estimated	FY 2024 Estimated
Other/Foundation Grants	233,690	533,676	1,401,724	1,401,724
Total Other/Foundation Grants	233,690	533,676	1,401,724	1,401,724
Total Grants and Special Programs	47,141,044	68,574,161	44,489,441	42,615,847

CHILD NUTRITION SERVICES

Revenues	FY 2021 Actual	FY 2022 Actual	FY 2023 Adopted	FY 2024 Adopted
Sales	21,953	911	30,000	10,000
Federal and State Food Program Reimbursements	7,367,678	20,749,928	21,576,000	22,255,000
Federal Commodities Donated	718,869	1,214,205	1,200,000	1,530,000
Interest Earned	0	0	0	0
Other Revenue	1,347	529,014	194,000	205,000
Transfer from General Fund	168,132	0	0	0
Transfer from Fund Balance	3,996,532	0	0	0
Total Revenues	12,274,511	22,494,058	23,000,000	24,000,000

Expenditures	FY 2021 Actual	FY 2022 Actual	FY 2023 Adopted	FY 2024 Adopted
Cost of Goods Sold	3,712,940	8,371,115	9,630,632	580,000
Employee Compensation	7,717,760	8,976,515	10,435,391	10,945,000
Supplies and Materials	54,329	50,975	170,000	10,475,000
Equipment and Other Costs	789,485	999,317	2,763,977	2,000,000
Total Expenditures	12,274,514	18,397,922	23,000,000	24,041,487
Net Increase (Decrease) in Fund Balance	(3,996,532)	4,096,136	0	0
Fund Balance – Beginning of Year	8,559,475	4,562,943	8,659,079	8,659,079
Fund Balance – End of Year	4,562,943	8,659,079	8,659,079	8,659,079

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 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.

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 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

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.

Adopted by City Council on May 22, 2018.

LOCAL DEBT SERVICE CAPACITY AND SCHOOL CONSTRUCTION RESOLUTION

PURPOSE

The FY 2023 Adopted Budget approved 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 may 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.

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.

Adopted by City Council on May 10, 2022.