

Blue Ribbon Commission reports to City Council, School Board  
written by Newspark Team | January 29, 2014



The Blue Ribbon Commission—a 13-member citizen panel charged with tackling the City schools’ funding woes—predicts another funding gap of between \$2 and \$4 million this year.

The estimate came during the groups’ presentation of its final report Tuesday to a joint session of Charlottesville’s City Council and School Board.

The report features near- and long-term “action alternatives” local officials could adopt to stem the division’s recent budget shortfalls. Those action alternatives range from upping the meals, real estate, or lodging taxes in the near-term, to boosting the amount of middle-income housing in the long-term, to closing an elementary school.

“We find ourselves where we are for a lot of different reasons,” Commission member and former mayor Bitsy Waters said. “Our school demographics have changed, our revenue from the outside—the federal and state governments—have changed, our revenue inside due to the recession has changed, the size of our school population has changed.”

But, Waters said, the Charlottesville community has also made decisions that keep education costs high.

"We have made policy decisions as a community about small class sizes, an arts program, a preschool program we're all proud of, but all of that comes with cost implications," Waters said. "In boom economic times, no problem, we could have everything we wanted, we could pay for it, and we could even cut some tax rates along the way."

Recent decreases in state and federal funding has left the division to slash \$1.4 million since 2010.

However, the schools have also had to ask City Council for one-time monies in addition to their annual allotment to balance the school budget: \$1.8 million from the General Fund and \$ million of the schools' capital improvement money in 2013, and \$ million in 2014.

The City contributes about one-third of its General Fund to the schools, which has netted the schools about \$40 million a year over the last seven years. In addition to state and federal funds, the school's fiscal year 2013 budget was about \$70 million.

## Taxes

Three of the Commission's five near-term action alternatives are tax increases, but newly elected City Councilor Bob Fenwick said Charlottesville's moderate tax rate gives the community a competitive advantage.

"We are in competition with all the surrounding counties if people want to move to central Virginia, and I think we have to be cognizant of that," Fenwick said.

But City Councilor Kristin Szakos questioned whether or not real estate tax rates drive employer's decisions.

"Businesses are concerned about taxes, there's no doubt about it," City Councilor Kathy Galvin said. "Also your local economy is extremely dependent on a strong school system. That is what attracts the labor and keeps the high-quality talent."

Raising the real estate tax rate one cent would net about \$550,000, the report shows.

Charlottesville's current rate of 95 cents per \$100 of assessed value ranks 13th out of 35 cities with rates that range from 57 cents to \$.

Upping the real estate tax, City Councilor Dede Smith said, could impact the most financially vulnerable.

"The tricky part will be the competing interests, because what we hear a lot in City Council are from low-income renters. It's not just students who are renters," Smith said. "If we start messing with taxing landlords, it's going to have that effect."

Waters said that the report does emphasize the need to look at expenditures, but that the community hasn't "smiled much on cutting programs out of schools."

Szakos also suggested that, given Charlottesville's tourism industry, increasing the meals or lodging tax could be a reasonable way to generate new income without taxing local families.

A one percent meals tax increase would deliver \$2 million in new revenue, the report shows.

A one-cent lodging tax increase would fetch \$480,000, but City Manager Maurice Jones has said that one-third of these funds go to the Charlottesville Albemarle Convention and Visitors Bureau, so it would have minimal effect on the schools.

### Housing stock

One of the findings suggested growing the amount of middle-income housing in the City. One cause of the low levels of middle-income housing, the Commission said, is due to the amount of University of Virginia students who reside off-campus.

Commission member Steve Campbell said that, in past years, the school division's enrollment was projected to have reached 4,500 students by now, but hasn't because of the limited housing supply and affordability issues.

Szakos said that the new development along West Main Street might open up houses once rented by students to families.

Campbell agreed.

"Suddenly there's some very high-quality, very student-oriented housing going up in a great location in the city," Campbell said. "The city is not growing, so we should see some significant displacement if those new complexes are going to be successful."

"If, through those displacements, we are recapturing some of that middle-income housing and bolstering out neighborhoods," Campbell added, "that's a dream come true for everybody."

Galvin said this would not only translate to more revenue generated from neighborhoods, but also more children for city schools, which draws more funding from the state.

### School staffing

Smith, a former city School Board member, said she was struck by Charlottesville's high staffing levels compared to similar school divisions throughout Virginia.

"We have a lot of adults in our school system, and I think it's hard not to look at the staffing comparison," Smith said. "That is what sets us apart, is that we have a lot of adults, and not surprisingly, it correlates linearly with spending per student."

Commission member Elliott Weiss said that while the division does have more adults, they are needed, given the division's diverse student population.

The division's English as a Second Language population has grown 154 percent, from 170 in 2003 to 433 in 2013. Two hundred of those students come to the schools through the International Rescue Committee.

Additionally, about 50 students are currently identified as homeless, and about 20 are out-of-area juvenile offenders who have been placed in the division.

Galvin said she appreciated the variety of alternatives the Commission provided, and that moving forward, she'd like to examine different combinations of the options.

“If we can group them in different ways but get at the final outcome we all want, maybe we’ll realize some feel more palatable than others,” Galvin said.

“As we’re developing the budget, we’re thinking about those things as well,” City Manager Maurice Jones said.

The School Board will hold a budget work session on Saturday, February 1, in the Walker Upper Elementary School Media Center.