

Presentation by Steve Owen, City Manager, City of Staunton
Education Subcommittee of the Senate Finance Committee
10th Floor, General Assembly Building
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Mr. Chairman and members of the committee, thank you for allowing me to speak. I am Steve Owen, the City Manager in Staunton, and I am speaking today for the Virginia Municipal League and the Virginia Association of Counties. Staunton is also a member of Virginia First Cities.

We recognize the fiscal difficulties that you face, and ask that you recognize the difficulties that local governments face. Our revenues are plummeting, and our economic recovery, when it starts, will be slow.

My own city of Staunton has seen declining meals, lodging, and sales taxes due to the recession. With our real estate and personal property assessments also falling, state funding cuts are truly putting us in a dire budgetary situation. We still have to pay for basic services, including not just K-12 education, but public safety, health, jails, mental health and social services. We do not have the choice to stop doing these services.

In education, localities have been appropriating \$3.2 billion a year more than required for operating expenses. That extra spending has had results, as the number of accredited schools has increased each year. But we cannot continue with this additional outlay, much less absorb the many reductions in the proposed budgets. We cannot take on even more funding responsibilities.

A number of the policy changes included in the proposed budget for education simply decrease state obligations without changing any of the factors that drive its costs.

Other speakers will address the cap on support positions, so let me focus briefly on two other policy changes. The proposed budget eliminates the use of an inflation factor in the updating of non-personal support costs, which includes items such transportation. In FY 12, therefore, state reimbursement for gasoline will be based on data from FY08. Another example is delaying payments for state operated programs to the next fiscal year. Local governments and school divisions don't have the option of delaying payments to teachers, the electric company, the insurance company and so forth.

VML and VACo support tax reform that will enable the state to fund its obligations for education. Absent tax reform, then it is time for the state to establish a link between what it **funds** under the Standards of Quality to what it

requires under the Standards of Accreditation and Standards of Learning. The committee can ask the Department of Education to examine the numerous requirements included in the SOA and SOL and determine which are not funded in the SOQ. If requirements are not funded, then the state should consider eliminating them. Local governments cannot continue propping up this system.

Here is a little more specific information on the effect of the proposed budgets on Staunton.

Fifty two percent of our students are on free and reduced lunches, and that number is rising. At-risk funding and funding for programs such as the K-3 class size reduction program are essential. Our children need smaller classes so they can pass the SOL tests.

We cut the fat in 2008, and cut out the meat in 2009. Bone will be cut out in 2010.

Our school system will realize a total reduction of \$1.7 million in state funds, not counting added VRS costs. That is the equivalent of 33 teaching positions – out of 292. Or a ten cent real estate tax increase. We might be able to deal with that, but it gets worse. We think total state cuts to the City may be north of \$3 million. Or 60 some positions. Or an 18 cent tax increase. With local revenues falling it may be even worse than that.

None of our options in response to reductions in funding are good. They include larger classes, fewer instructional materials, elimination of electives, cut-backs in sports and reductions in student health services. But our children need smaller classes in order to learn. Our teachers already buy instructional materials out of their own pockets. Access to electives makes our students competitive in college admissions. For some students, sports are the only thing that motivates them to learn. And some of our students have multiple health needs that leave them medically fragile and require professional care.

Consolidating school and city departments such as finance and human resources is certainly being explored. But this will be more window dressing and a public relations gimmick than real. Such consolidation savings of a few thousand dollars in a small system like ours will barely make a dent in a multi-million dollar budget hole. Let's not kid ourselves or lead our citizens to believe that's the answer.

We can cut pre-school programs, but we have kids entering kindergarten that don't know shapes, colors, letters and numbers. It takes years to catch up when you start out behind. Remediation is far more expensive and brings down the quality of education for everyone.

Flexibility should center on a reduction in state testing mandates, a delay in the implementation of new state regulations, and allowing local schools to use state funding based on our needs rather than state mandates.

Beyond our schools we see state funding for law enforcement, jails, libraries and constitutional officers being slashed. Our police department is already down six officers. Our constitutional officers are by definition constitutionally mandated, yet seem to have become an endangered species. Health insurance and VRS costs are rising. The City already has over 30 frozen vacancies. At least that many layoffs now seem unavoidable, putting more people out of work.

If we have to cut our economic development and tourism budgets, we will be shooting ourselves in the foot. Governor McDonnell certainly recognizes the need to invest in these to grow the State's economy. We should be doing the same at the local level.

When we have to cut parks and recreation, the library, social and mental health services and our office on youth, the quality of life in Staunton will be lowered significantly and some of the direct consequences and negative impacts will likely be more costly than what we will save. Penny wise and pound foolish.

There simply is no way the City can sustain these cuts without serious repercussions.

Thank you.