



ADVERTISED

BUDGET

Fairfax County, Virginia

FY 15

March 18, 2014—BOS/SB Work Session



Financial Services

www.fcps.edu



Budget Development Process

- Started developing the FY 2015 budget last July
- Enhanced transparency by sharing list of potential reductions in the fall and developing *A Citizen's Guide to Understanding the Budget*
- Engaged Board of Supervisors, School Board, parents, community members, students, and employees
 - Individual and group meetings, presentations, listening tours, and implemented User Voice
- Identified both short- and long-term options for FY 2015 and future years



The Approach This Year Is Different

- Deficit identified for FY 2015 only included required increases
- To balance, significant reductions were proposed with a transfer increase request

FY 2014 Fiscal Forecast Projections	
	Change from FY 2013 (in millions)
Projected Revenue	
County Transfer	\$0.0
Sales Tax	3.2
State Aid	0.0
Federal Aid	0.0
Beginning Balance	(15.9)
Other	0.9
Virginia Retirement System Reserve	(26.8)
Revenue Assumptions	(\$38.6)
Projected Required Expenditures	
Membership Growth	\$28.5
Base Savings and adjustment to vacancy calculation rate	(32.5)
VRS Shift of 1% with Hold Harmless	7.0
Health Insurance	13.3
Retirement Rate Increases	6.1
Contractual Increases (Net Change)	0.7
Required Expenditure Assumptions	\$23.1
Projected Deficit Subtotal	(\$61.7)

Prior to any increase in the county transfer

Projected Compensation Needs	
VRS Shift Completion (Without Hold Harmless)	\$10.8
VRS Hold Harmless for additional 2%	0.0
Step	43.0
Market Scale Adjustment of 1%	18.9
ERFC Shift of 1%	13.5
Compensation Needs	\$86.2
FY 2014 Projected Deficit	(\$147.9)
Identified Needs	\$90.8
FY 2014 Projected Deficit With Identified Needs	(\$238.7)

As of 9/10/2012

FY 2015 Fiscal Forecast Projections	
	Change from FY 2014 (in millions)
Projected Revenue	
County Transfer	\$0.0
Sales Tax	7.2
State Aid	(21.3)
Federal Aid	(2.1)
Beginning Balance	(20.7)
Other	1.2
Virginia Retirement System Reserve	(16.9)
Textbook Reserve	3.5
Revenue Assumptions	(\$49.1)
Projected Required Expenditures	
Membership Growth	\$25.0
Base Savings	(24.9)
Full Year Impact of 2% MSA in January 2014	15.9
Health Insurance	27.2
Retirement Rate Increases	37.0
Contractual Increases (Net Change)	4.5
Recurring Items from FY 2013 Final Budget Review:	4.5
Transfers Out (Change to Construction Fund)	(1.4)
Required Expenditure Assumptions	\$87.9
Textbook Reserve	\$3.7
Projected Deficit Subtotal	(\$140.7)

Prior to any increase in the county transfer

Projected Compensation Needs	
Step	\$42.7
Compensation Needs	\$42.7
FY 2015 Projected Deficit	(\$183.4)
Identified Needs	\$7.7
FY 2015 Projected Deficit With Identified Needs	(\$191.1)

As of 9/23/2013



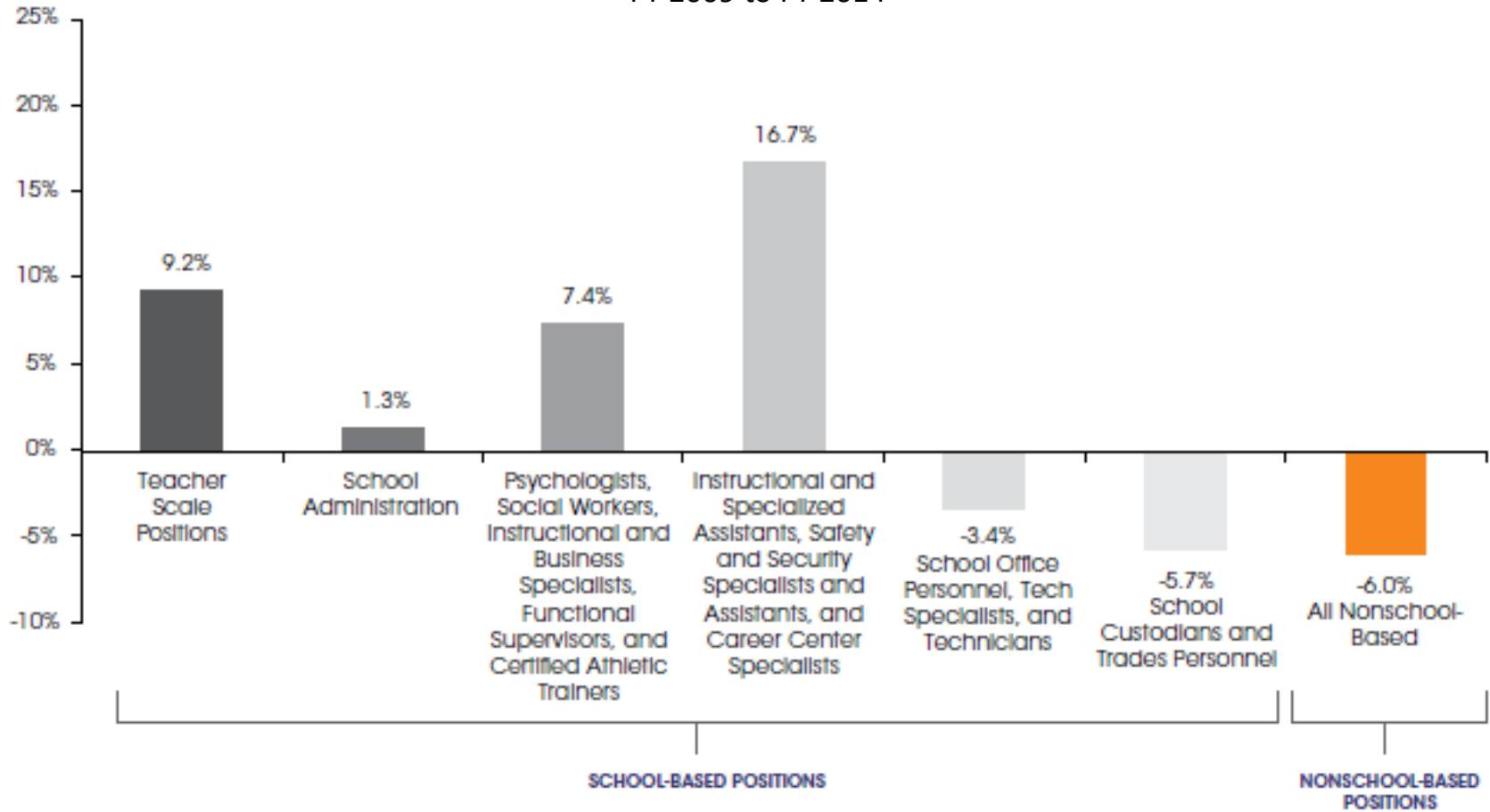
Prior Actions to Address Budget Challenges

- Class size was increased by 0.5 students twice for a total increase of 1.0 student per teacher
- Special education class sizes were increased
- Through a program review process, programs were reduced, eliminated, and redesigned
- Compensation actions
 - Pay frozen in FY 2010 and FY 2011
 - No step increases in FY 2010, 2011, 2013, and 2014
 - Contract-length reductions for nearly 3,500 employees
- More than 1,450 positions eliminated
- Short-term relief provided by the federal and state governments through ARRA and lower VRS rates



Position Growth

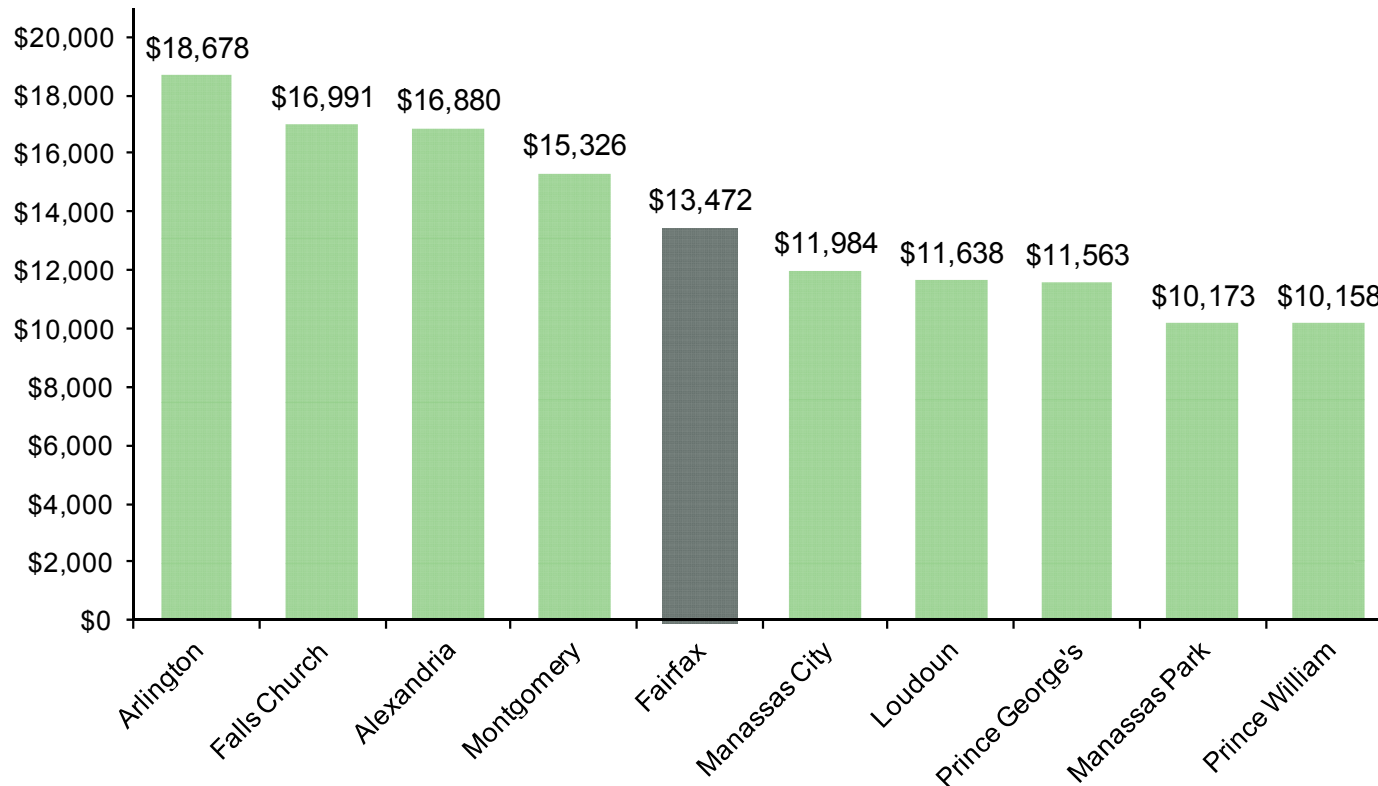
School-Based & Nonschool-Based Position Growth
FY 2009 to FY 2014





Comparing Costs Per Pupil and SAT Scores

FY 2014 WABE Cost Per Pupil¹



Comparison of SAT Scores
School Year 2012-2013

Falls Church City	1765
Fairfax County	1663
Montgomery County	1649
Arlington County	1645
Loudoun County	1606
Prince William County	1498
Manassas Park City	1496
Manassas City	1457
Alexandria City	1436
Prince George's County	1207

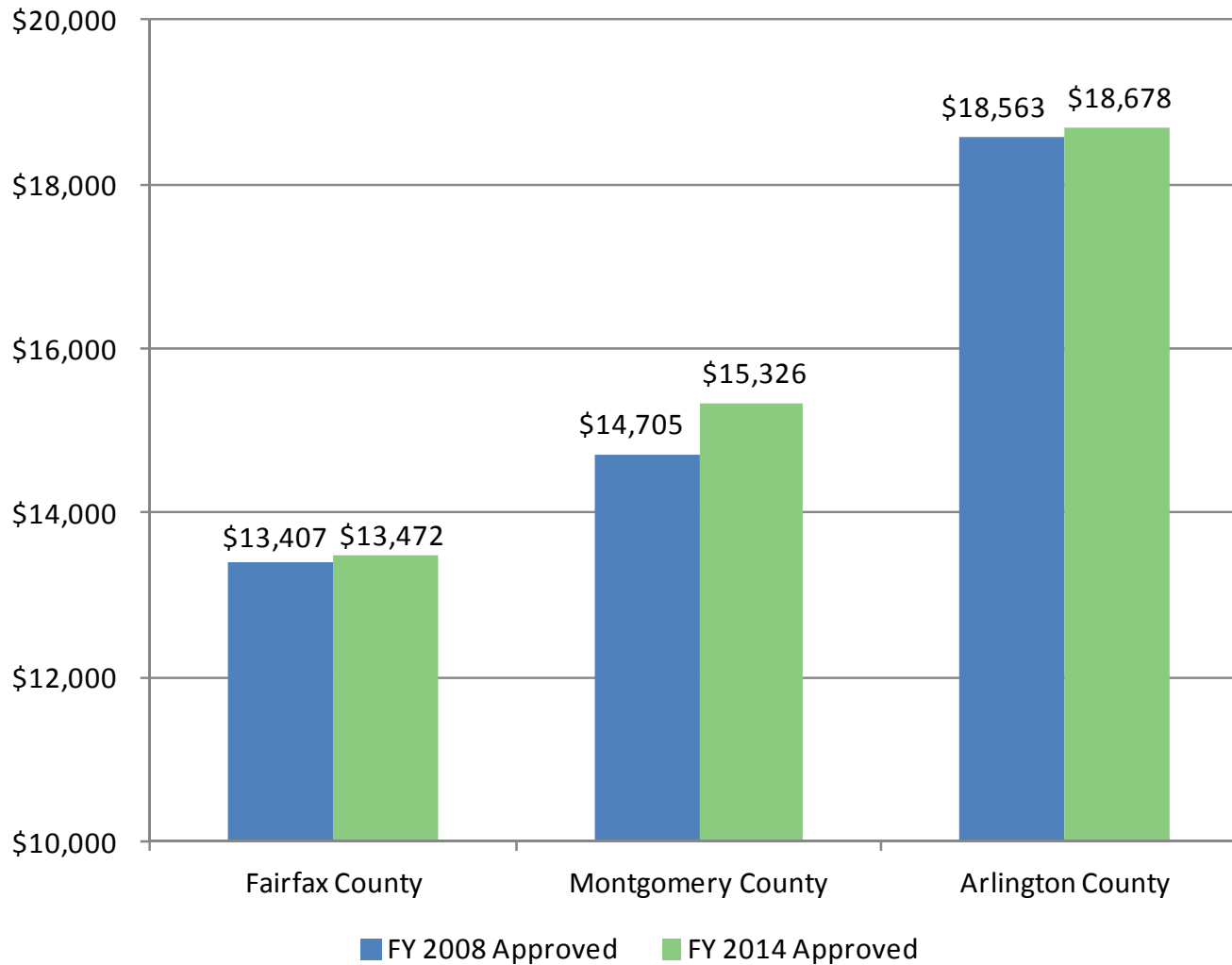
US Average	1474
Virginia Average	1517

Source: 2014 WABE Guide

¹/ FY 2014 WABE Guide



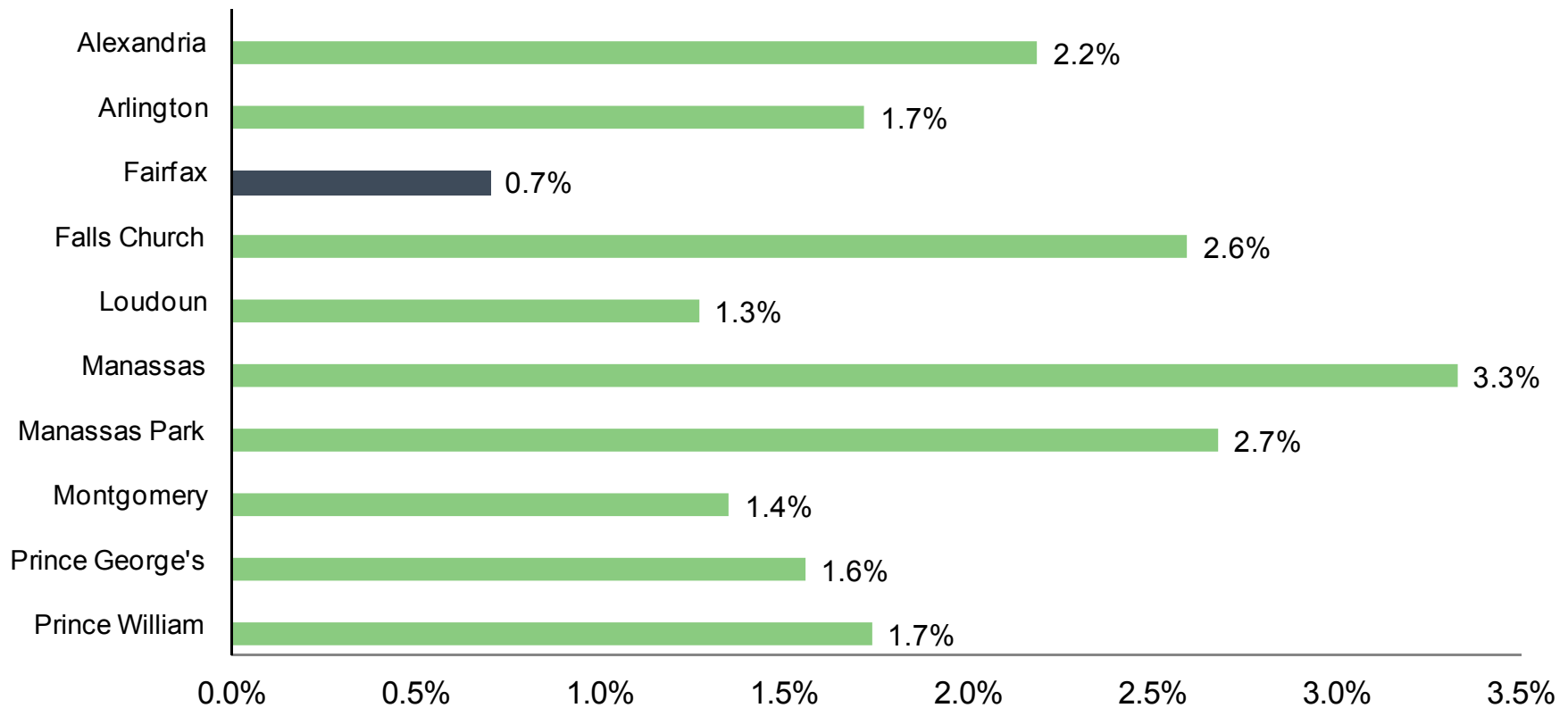
WABE Cost Per Pupil Over Time





Comparing Management

**FY 2014 Comparing Management Across the Region:
Percent of Leadership Team and Management to Total Positions¹**



¹/FY 2014 WABE Guide



FY 2015 Advertised Budget Overview

- \$2.5 billion operating budget
 - \$59.4 million, or 2.4%, increase from the FY 2014 Approved Budget
 - Significant Budget Drivers
 - Requested from the County - Unavoidable
 - Enrollment Growth
 - Retirement Increases
 - Structural Deficit
 - Funded through Reductions
 - Health Increases
 - Step for Eligible Employees
 - Contractual and Other Increases
- Shared approach to meeting the needs of FCPS



Transfer Increase Request of the County for

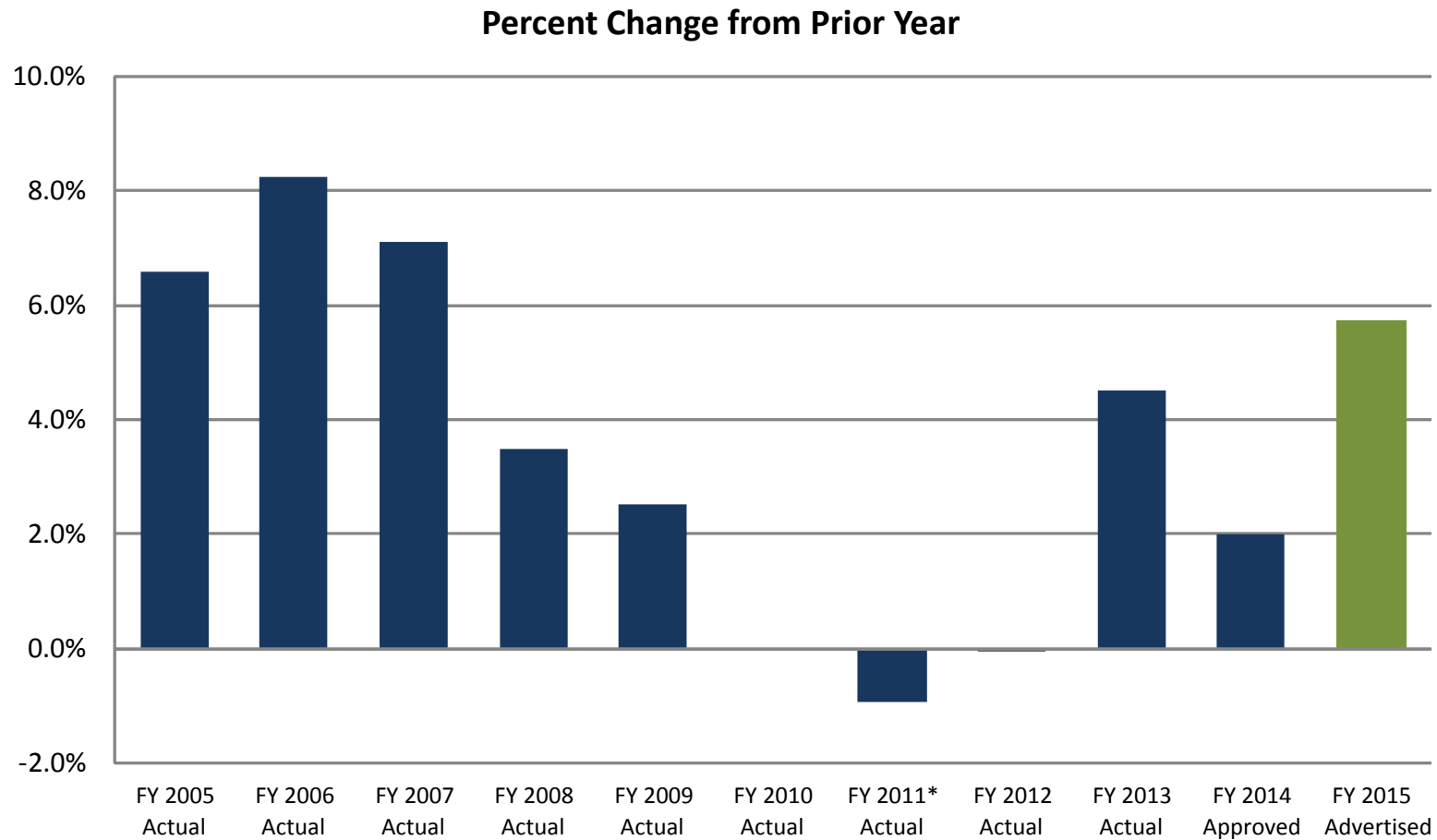
- Enrollment Growth
 - Requires \$25.8 million in school-based resources
- Retirement Rate Increases
 - VRS rate increases of \$37.5 million
 - FCERS rate increase of \$1.4 million
- Structural Deficit
 - Beginning Balance – decrease of \$17.2 million
 - VRS Reserve depleted – decrease of \$16.9 million

Requested an increase in the transfer of \$98.1 million to cover these three budget drivers



County Transfer Increase History

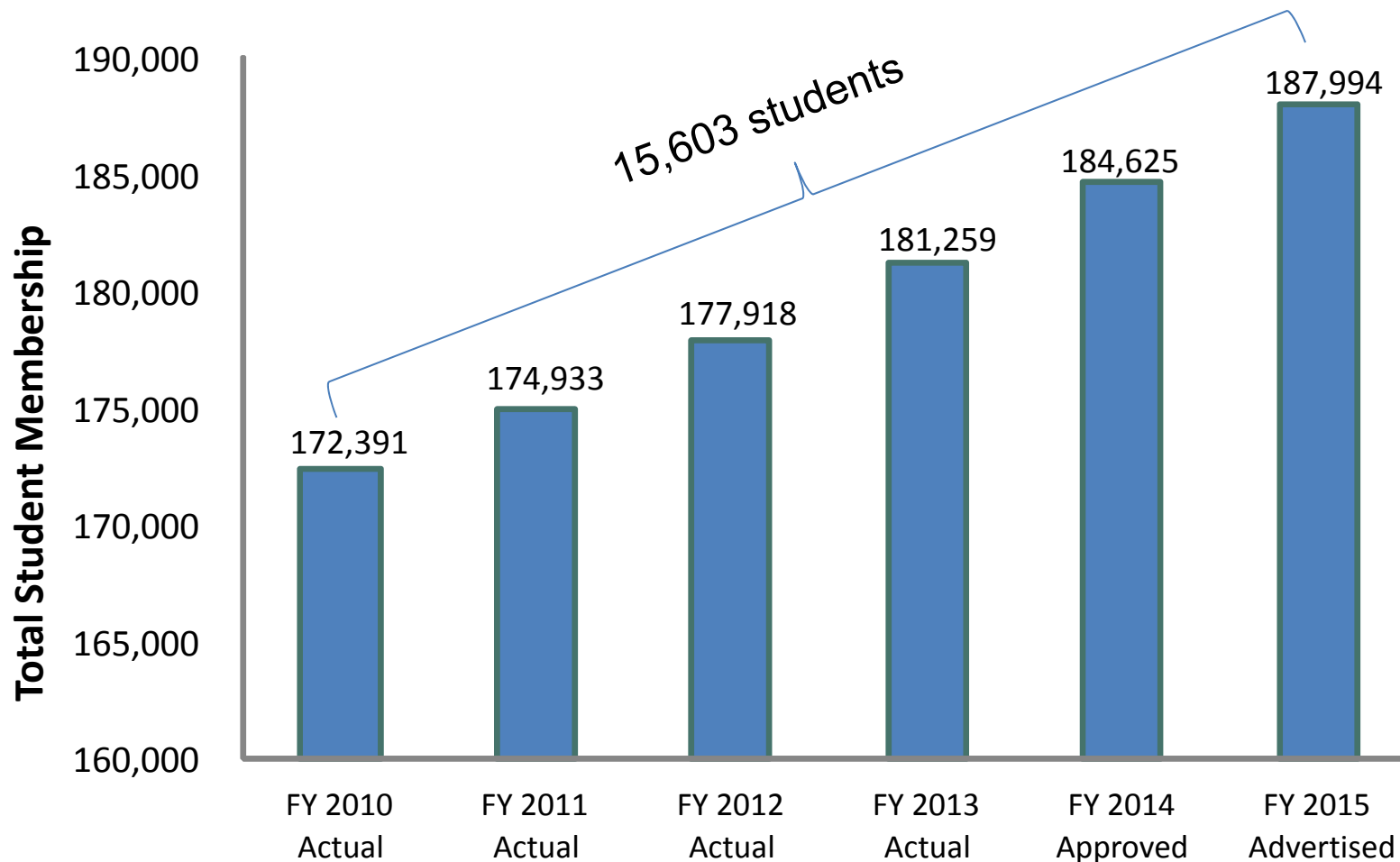
FY 2015 increase of \$98.1 million, or 5.7%, requested



*Includes one-time funding of \$1.3 million



Expenditure Driver—Student Enrollment





FY 2015 Advertised Budget Summary

Revenue

FY 2015 Advertised Budget Summary			
(\$ in millions)	FY 2014 Approved	FY 2015 Advertised	Change from FY 2014 Approved
Funds Available:			
Beginning Balance	\$ 65.7	\$ 48.5	\$ (17.2)
Virginia Retirement System Reserve	16.9	-	(16.9)
Textbook Reserve	-	3.5	3.5
County Transfer- Requested Increase of 5.7%	1,717.0	1,815.1	98.1
State Revenue	387.2	375.9	(11.3)
Sales Tax	169.9	171.7	1.8
Federal Aid	42.5	42.0	(0.5)
Fairfax City and Other Revenue	61.2	62.4	1.2
New AP/IB Test Fees and Increased Community Use Fees	-	4.2	4.2
Total Funds Available	\$ 2,460.4	\$ 2,523.3	\$ 62.9



FY 2015 Advertised Budget Summary

Expenditures

FY 2015 Advertised Budget Summary			
(\$ in millions)	FY 2014 Approved	FY 2015 Advertised	Change from FY 2014 Approved
Expenditures:	\$ 2,457.8	\$ 2,457.8	\$ -
Enrollment and Demographic Changes		25.8	25.8
Compensation			
Virginia Retirement System Rate Increases		37.5	37.5
FCERS Retirement Rate Increases		1.4	1.4
Health Insurance Rate Increases		23.9	23.9
Full-Year Impact of FY 2014 Market Scale Adjustment		15.9	15.9
Step Increase		41.0	41.0
Ongoing/Contractual/Required to Implement Reductions			
Contractual Increases		2.0	2.0
Human Resources Information System		1.6	1.6
Recurring Items from FY 2013		4.5	4.5
Staffing Reserve		1.4	1.4
Central Custodial Oversight		0.9	0.9
Expenditure Reductions Including 731.2 Positions		(96.5)	(96.5)
Total Expenditures	\$ 2,457.8	\$ 2,517.2	\$ 59.4
Textbook Reserve	\$ 2.6	\$ 6.1	\$ 3.5
Balanced Budget	\$ 0.0	\$ 0.0	\$ 0.0



Expenditure Reduction Percentages

Central Support

(e.g., nonschool-based department employees and operating budgets)

Divisionwide Support

(e.g., utilities, property insurance, and transportation)

School Support

(e.g., principals, assistant principals, librarians, instructional coaches, social workers, school clerical, and custodians)

Classroom

(e.g., classroom, art, music, P.E., special education, and elective teachers; instructional assistants; and textbooks/instructional supplies)

Reductions:

\$13.4 million
82.0 FTE

6%

Reductions:

\$3.5 million
0.0 FTE

1%

Reductions:

\$17.1 million
180.5 FTE

3%

Reductions:

\$36.0 million
468.7 FTE

2%



FY 2015 Reduction Impact - Elementary

Elementary School Example	School A	School B
	383 students	961 students
	56.3% FRM	67.7% FRM
Teachers	(1.2)	(4.6)
<i>Percent Reduction to GE/teacher scale</i>	-3.8%	-5.9%
Assistant Principals	(0.5)	-
School-Based Technology Specialists	(0.5)	-
Instructional Assistants	-	(1.0)
Clerical	(0.5)	(1.0)
Custodial	-	(0.5)
Total Reduction to SB Positions	(2.7)	(7.1)



FY 2015 Reduction Impact – Middle School

	School A	School B
Middle School Example	749 students	1,365 students
	16.5% FRM	8.5% FRM
Teachers	(1.1)	(1.9)
<i>Percent Reduction to GE/teacher scale</i>	-2.5%	-2.4%
Assistant Principals	(0.5)	-
Custodial	(0.5)	(0.5)
Total Reduction to SB Positions	(2.1)	(2.4)



FY 2015 Reduction Impact – High School

	School A	School B
High School Example	1,717 students	2,434 students
	35.3% FRM	41.0% FRM
Teachers	(3.5)	(3.9)
<i>Percent Reduction to GE/teacher scale</i>	-3.0%	-2.5%
Custodial	(0.5)	(1.0)
Total Reduction to SB Positions	(4.0)	(4.9)



Combined Impact of Reductions Over Time

- In fiscal years 2009-2015, reductions will have totaled over \$430 million, including nearly 2,200 positions

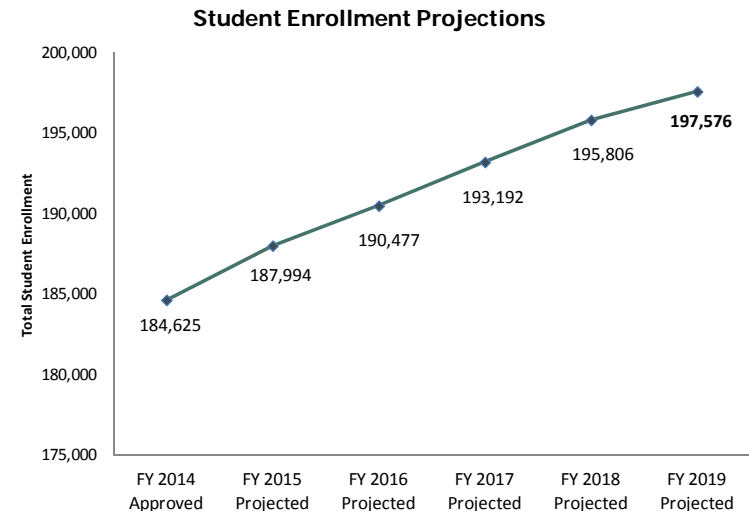
Reduction Area	\$ in M	Positions
Classroom Staffing	\$64.2	1,025.8
Instructional Programs	\$66.0	327.7
School Administrators	\$3.9	43.5
School Clerical	\$10.3	248.0
School Custodians	\$8.8	243.5
School Closings	\$2.3	33.0
Department Reductions	\$56.2	233.3
Base Savings	\$181.9	0.0
Other Reductions	\$40.0	33.5
Grand Total	\$433.6	2,188.3

Decreases in teachers result in more students per classroom. Reductions in these and other school-based positions impact the support provided to students and the school community.



Future Financial Challenges

- Growing enrollment and increasing uncontrollable costs will impact FCPS annually:
 - Student enrollment continues to increase annually and is projected to average 2,400 students annually through 2019
- Mandatory rate increases for Virginia Retirement System
 - Rate will increase to 90% of actuarial rate in FY 2017
 - Rate will increase to 100% of actuarial rate in FY 2019



***“Strengthen long-term pension funding”
as included in the County’s budget presentation***



Future Financial Challenges

- Structural deficit still remains
 - \$48.5 million going into FY 2016
- Employee compensation
 - FCPS is losing ground to surrounding school systems
 - Step increases need to be consistently funded
 - Health insurance rates are projected to increase
- Unmet infrastructure needs
 - Bus replacement, maintenance, computers, equipment
- Program needs
 - Including preschool and alternative programs

***“Recurring resources for recurring requirements”
as included in the County’s budget presentation***



Future Financial Challenges

(\$ in Millions)

Future Challenges	FY 2016	FY 2017	FY 2018	FY 2019
Revenue				
Local Composite Index Adjustment	-	Unknown	-	Unknown
Unavoidable Increases				
Enrollment Growth and Demographic Shifts	\$25	\$25	\$25	\$25
Virginia Retirement System Rates	-	25	-	25
Structural Deficit	49	-	-	-
Expenditure Increases				
Employee Step Increases	40	Unknown	Unknown	Unknown
MSA of 1%	20	Unknown	Unknown	Unknown
Health Insurance	15	Unknown	Unknown	Unknown
Unmet Infrastructure Needs	Unknown	Unknown	Unknown	Unknown
Total Projected Increase Anticipated	\$148	\$50	\$25	\$50

The current County Advertised Budget recommends a 2%, or \$35 million, transfer increase for planning purposes in FY 2016.



Student Programming

- While changes to student programming were not included in the FY 2015 budget proposal, to help address potential future budget challenges, long-term program considerations are being evaluated
- A thoughtful analysis, combined with input from the community, will allow FCPS to determine what programmatic changes to implement while minimizing the impact to students



State Budget Update

- As compared to FCPS' Advertised Budget:
 - Governor's proposal - increase in operating funding of \$27.2 million
 - House amendments - increase in operating funding of \$28.7 million
 - Senate amendments - increase in operating funding of \$30.8 million

State Budget as Compared to FY 2015 Advertised Budget
(\$ in millions)

Account Type	Governor Introduced Increase over Advertised	House Increase Over FY 2015 Advertised	Senate Increase Over FY 2015 Advertised
SOQ Accounts	\$26.3	\$25.3	\$29.1
Incentive	0.2	1.9	0.4
Categorical	(0.0)	(0.0)	(0.0)
Lottery Funded	<u>0.7</u>	<u>1.5</u>	<u>1.3</u>
TOTAL CHANGE	\$27.2	\$28.7	\$30.8



Impact of Proposed and Requested Revenue

Budget Reductions	2.0% County Transfer Increase + State Funding Increase		5.7% County Transfer Increase + State Funding Increase	
	<i>Dollars in Million</i>	<i>Positions</i>	<i>Dollars in Million</i>	<i>Positions</i>
Reductions Included in the Advertised	(\$96.5)	(731.2)	(\$96.5)	(731.2)
Reductions Restored				
Elementary Class Size			7.9	113.3
Needs-Based Staffing			13.9	192.3
Advanced Placement/IB Fees			4.0	0.0
Reserve for Small Schools			1.1	9.5
Additional Reductions Required	<u>(36.6)</u>	<u>(200.0)</u>	<u>0.0</u>	<u>0.0</u>
Total Reductions	(\$133.1)	(931.2)	(\$69.6)	(416.1)
Budget Increase Over FY 2014 Approved		0.9%		3.5%



Intended Use of State Funding

- With the additional projected state revenue, FCPS proposes to eliminate proposed fees and restore reductions:
 - Advanced Placement/International Baccalaureate Fees - \$4M
 - Elementary Class Size Increases - \$8M
 - Needs-Based Staffing - \$14M
 - Reserve for Small Schools - \$1M

FCPS would not have proposed these significant reductions impacting students and the classroom had state funding been determined prior to the development of the FY 2015 Budget



Without the Requested Revenue

- Additional reductions will be necessary and program considerations include:
 - Specialized instructional programs
 - Support to schools
 - Class size increases
 - Student activities and programming
 - Contract-length reductions
 - Employee salaries
 - Benefit structures



County/Schools Partnerships

- Working together to support programs and services such as:
 - Early Childhood Education (Head Start, VPI)
 - School Health, School Resource Officers and Crossing Guards
 - Middle School After School Programs
 - Field Use and Maintenance
 - Adult Education
 - SACC and RecPac Programs
 - Senior Nutrition
 - Community Use of Facilities
 - FOCUS, an integrated financial and purchasing system



Important Work in Progress

- Achievement Gap
- Alternative Programs
- Preschool
- Priority Schools Initiative
- Portrait of a Graduate
- Strategic Planning

