

Response to Questions on the FY 2011 Budget

Request By: Board of Supervisors

Question: Please provide the detailed methodology of how FCPS' state revenue budget compares to the numbers provided in the conference report?

Response: The following response was prepared by Fairfax County Public Schools:

The numbers provided in the conference report are estimates which historically are significantly higher than the actual revenue received by FCPS. In addition to the conference reports, the Virginia Department of Education (VDOE) also provides estimates for both state aid and sales tax based on their estimate of each school division's average daily membership (ADM). In addition to the initial projections, VDOE updates their estimates for both sales tax and ADM throughout the budget process.

When FCPS receives the VDOE estimates, adjustments are made to more accurately reflect membership and sales tax projections and to account for funding that the state includes in their estimate that is not included in FCPS' school operating fund. Since VDOE payments are based on their estimates until May, and then updated to reflect the actual March 31st ADM, a conservative approach is utilized based on monitoring FCPS' ADM throughout the fiscal year to avoid a revenue shortfall at the end of the fiscal year.

For example, a midyear analysis of actual FY 2009 ADM compared to the state's FY 2010 projection showed that the state's FY 2010 ADM projection was high and in order to prevent a potential shortfall, a midyear adjustment was made. The FY 2010 Caboose bill has since reduced the state estimate by 1,400 bringing it to within 600 students compared to FCPS. The FY 2011 ADM projection that the state revenue update presented to the Board of Supervisor's on March 16, 2010 is based on the FY 2010 midyear estimate plus estimated growth of 1,760 students. This state projected an increase of more than 3,000 which exceeded FCPS' projections by 1,633.

Sales tax revenue represents 6.1 percent of FCPS' budget. As the economy has worsened over the past two years, initial state projections have fallen far short of actual revenue. In FY 2010, the state has reduced the estimate for FCPS by \$11.2 million. These reductions were recognized in the FY 2010 midyear budget review. The state's FY 2011 estimate is \$5.7 million higher than the FY 2010 estimate. However, since the economy is uncertain and consumer confidence is still weak, the sales tax estimate for FY 2011 will remain level with FY 2010, utilizing a similar forecasting methodology to the County's sales tax budget.

To illustrate the changes due to budget amendments, the FCPS appropriation in the conference report for FY 2010 (2008 General Assembly) was \$486.8 million. The budget was then amended by the General Assembly in 2009 and 2010. The current state entitlement sheets have an FY 2010 estimate of \$434.7 million, a reduction of \$52.2 million. Projections for sales tax revenue alone account for \$27.9 million of this reduction. Because actual ADM and sales tax are not known until the end of the year, it is important to analyze state projections throughout the year and make adjustments as

necessary. FCPS adjusts its revenue projections based on the amended budget amounts and in FY 2009 the actual state revenue was within 99.7 percent of the estimate.

The following chart shows the adjustments made to the conference report and how state funding is allocated among the school operating fund, other special revenue funds (Grants and Self-Supporting, Food and Nutrition Services, Adult and Community Education), and the County budget. The funding allocated to other FCPS funds reflects the restrictive nature of specific categories of funding, for example funding for the Virginia Public School Authority Technology Grant, school lunches, or for adult ESOL classes provided through Adult and Community Education.

FY 2011

(\$ in millions)

\$ 472.6	Conference Report (2010 General Assembly)
(1.8)	Lottery Error in Conference Report
(0.1)	Basic Aid Year End Deduction Estimate (Mental Health, School for Deaf and Blind)
(5.7)	FCPS Sales Tax Adjustment
(3.2)	FCPS ADM Adjustment
(3.8)	Restrictive Funding for School Nurses
0.8	State Pass-Through Revenue not on Entitlement Sheets (National Board Certified Teachers)
(6.1)	Virginia Preschool Initiative (funding to County)
<u>(11.4)</u>	Other Special Revenue Funds
\$ 441.3	School Operating Fund State Revenue Budget (including SFSF)