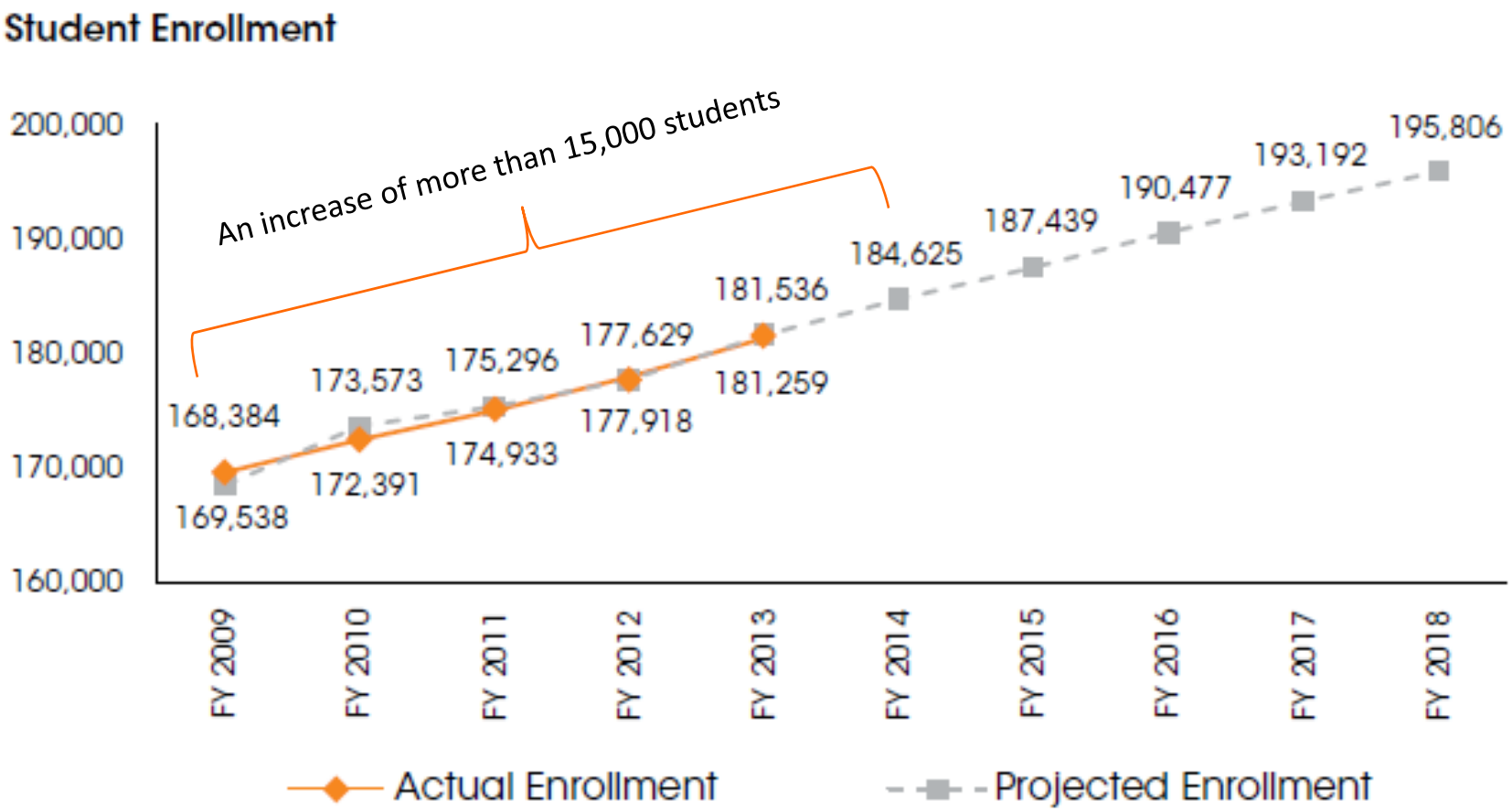
Joint School Board and Board of Supervisors Budget Work Session

November 26, 2013

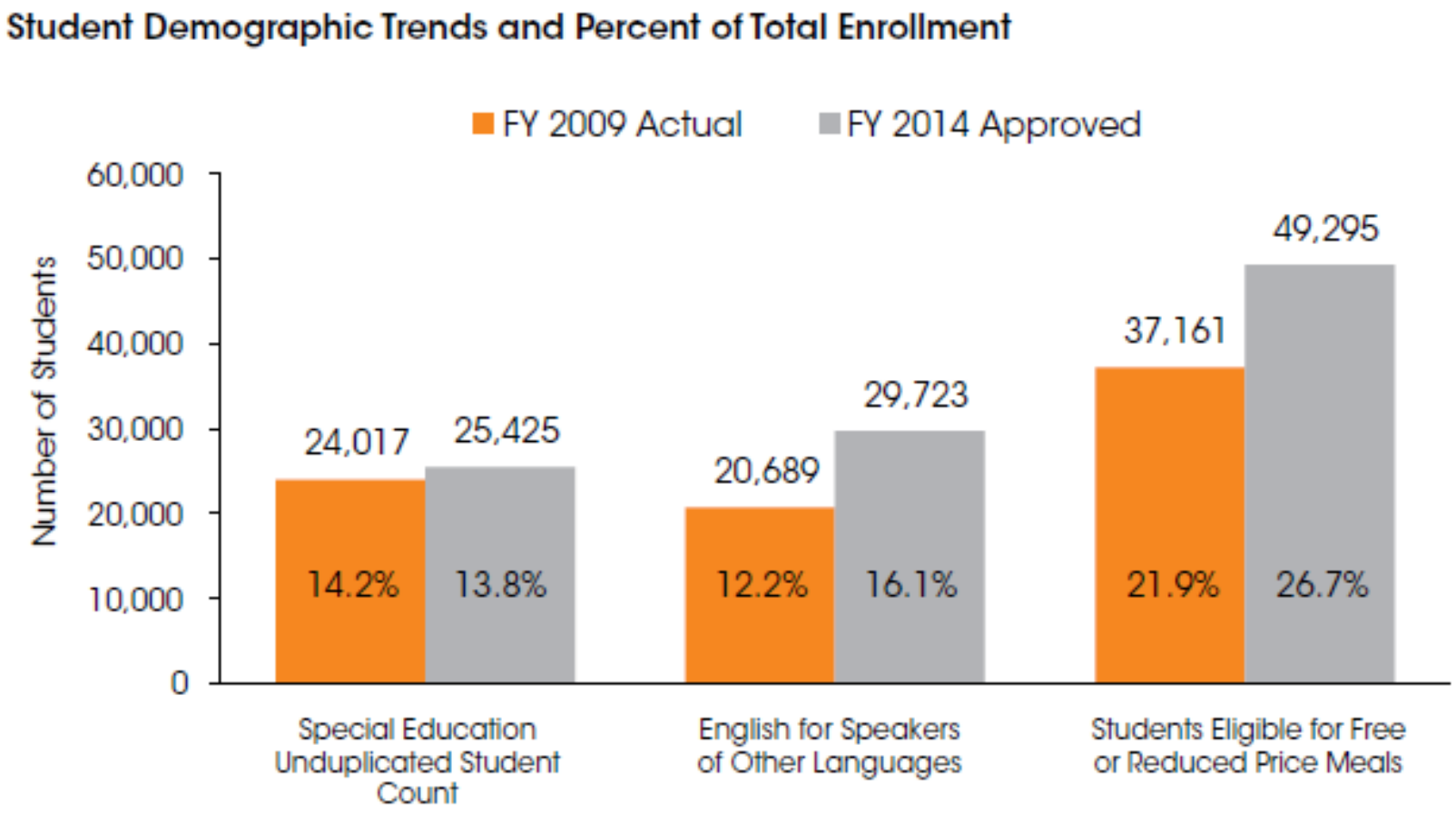
FCPS Overview

- Student enrollment continues to increase and student demographics continue to change, reflecting increased needs
- Employee compensation is a divisionwide priority
  - Step increases provided only once in the last five years
  - Retirement and health insurance rates continue to increase
- Revenue
  - The use of one-time money to meet ongoing needs has resulted in a structural deficit
  - State per-pupil funding for K-12 in FY 2014 still remains below pre-recession levels

FCPS Student Enrollment



FCPS Student Demographics



FY 2015 Revenue Assumptions

FY 2015 Updated Fiscal Forecast Projections			
($ in millions)	FY 2014 Approved	FY 2015 Forecast	Change
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	1,717.0	1,717.0	-
State Revenue	387.2	375.9	(11.3)
Sales Tax	169.9	171.7	1.8
Federal Aid	42.5	40.4	(2.1)
Fairfax City and Other Revenue	61.2	62.4	1.2
Total Funds Available	**$ 2,460.4**	**$ 2,419.3**	**$ (41.1)**

Does not add due to rounding

The County transfer is shown as level to calculate the decrease in projected revenue prior to any increase in County funding.

FY 2015 Required Expenditure Assumptions

FY 2015 Updated Fiscal Forecast Projections			
($ in millions)	FY 2014 Approved	FY 2015 Forecast	Change
Expenditures:	$ 2,423.3	$ 2,423.3	$ -
Base Savings (due to turnover)		(24.9)	(24.9)
Full Year Impact of 2% MSA in January 2014		15.9	15.9
Retirement Rate Increases		37.0	37.0
Health Insurance Increase		27.2	27.2
Contractual Increases		7.4	7.4
Lawson Upgrade		1.6	1.6
Enrollment and Demographic Changes			
Membership Growth/Students Demographics		25.0	25.0
Transfers Out - for Summer School, FECEP, Construction, and Adult ESOL (ACE)	34.5	33.2	(1.4)
Total Required Expenditures	**$ 2,457.8**	**$ 2,545.7**	**$ 87.9**

Does not add due to rounding

FY 2015 Summary

FY 2015 Updated Fiscal Forecast Projections			
($ in millions)	FY 2014 Approved	FY 2015 Forecast	Change
Total Funds Available	$ 2,460.4	$ 2,419.3	$ (41.1)
Total Required Expenditures	$ 2,457.8	$ 2,545.7	$ 87.9
Textbook Reserve	$ 2.6	$ 6.2	$ 3.7
Projected Ending Balance Prior to County Transfer Increase	**$ -**	**$ (132.6)**	**$ (132.6)**
Transfer Increase of 2% Included in BOS FY 2014 Budget Guidance	$ -	$ 34.3	$ 34.3
Projected Deficit After County Transfer Increase of 2%	**$ -**	**$ (98.3)**	**$ (98.3)**

Does not add due to rounding

The projected deficit does not include any compensation increases.

The cost of step is $42.7 million.

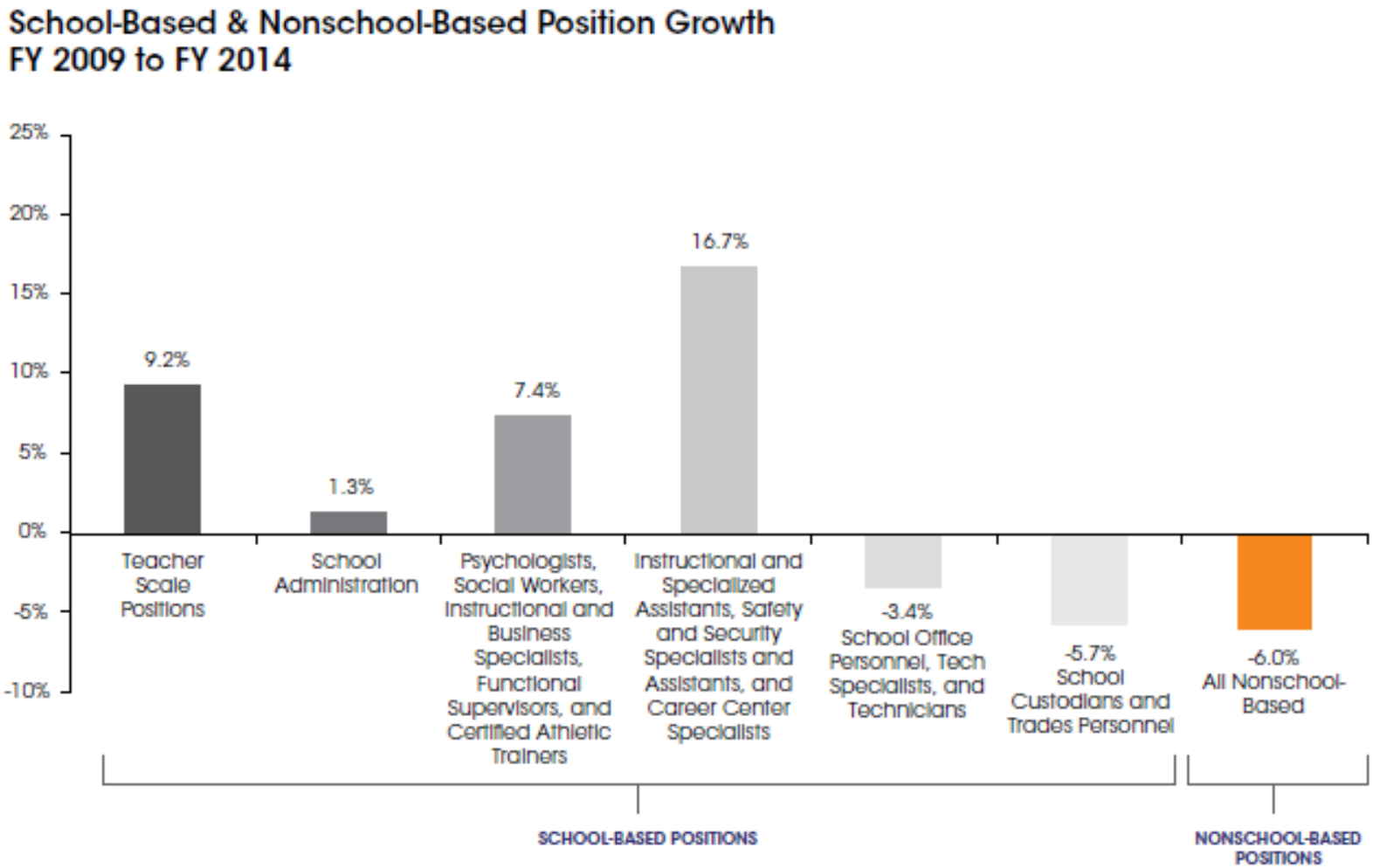
Factors Driving the Projected Deficit

- Recurring revenues have not kept pace with growing enrollment and increasing costs
- One-time, year-end balances continue to be used to pay for recurring expenses
- Enrollment increases and student demographic changes
- Benefit rate increases
  - VRS retirement rate increase due to the requirement to move towards paying 100 percent of the actuarial rate
    - The state reduced retirement contributions significantly below the actuarial rate during the economic downturn
    - To catch up, the state mandated a rate of 80 percent of the actuarial rate in FY 2015 and FY 2016, with an increase of 10 percentage points in the next two biennia
  - Health insurance rates continue to increase

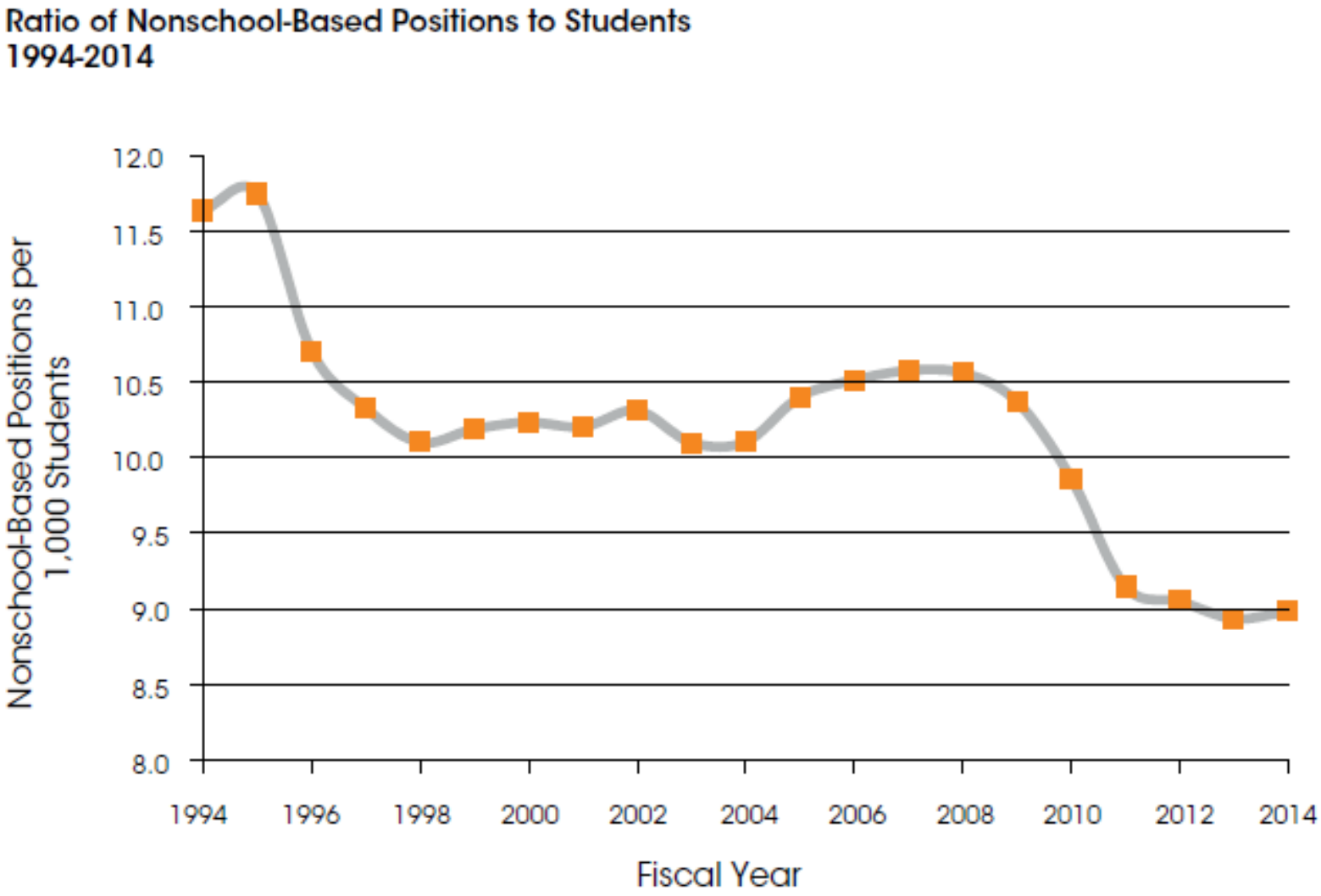
Prior Actions to Address Shortfalls

- Short-term relief provided by the federal and state governments through ARRA and lower VRS rates
- Eliminated more than 1,450 positions
- Compensation actions
  - Contract length reductions
  - No step increases in FY 2010, 2011, 2013, and 2014
  - Pay frozen in FY 2010 and FY 2011
- Program reductions, eliminations, and redesigns
  - Class size increased by 1.0
  - School support, central office, and transportation reductions
  - Programs eliminated or redesigned include: Focus, Planetariums, Student Accountability, and Summer School

Position Changes Over time



Central Office Positions Per Student



FY 2014 Spending Compared to FY 2013

- The budget increased 1.1 percent from the FY 2013 Approved Budget
- To be eligible for $6.3 million in state incentive funding, the School Board approved a 2.0 percent market scale adjustment effective January 2014
- The amount budgeted per pupil in FY 2014 totals $13,472, a decrease of $92 from FY 2013.
- FCPS' cost per pupil for FY 2014 is only $65 higher than in FY 2008, an increase of only 0.5 percent over six years

State Efficiency Review Results

- Gibson Consulting completed the review for the Virginia Department of Planning and Budget's School Efficiency Review Program
- The report made 25 commendations that recognized FCPS as a high-performing district with best practices already in place that increase efficiency
- To fully implement the recommendations, one-time investments of $2.3 million are required--and additional investments in subsequent years--with a five-year net savings of $10.8 million
- http://www.doe.virginia.gov/school_finance/efficiency_reviews/fairfax.pdf

Looking Forward

- Projected Impacts
- Shared Approach
  - Eliminating the projected deficit
  - Combining reductions and revenue increases
- Multi-Year Planning
  - Addressing multi-year cost drivers
  - Exploring long-term strategies

More Information

- The FCPS website provides detailed information about our schools, students, programs, and operations: www.fcps.edu
- FY 2015 budget information is available at http://www.fcps.edu/news/fy2015.shtml
- Prior year budget documents are available at http://www.fcps.edu/fs/budget/budgetdocuments.shtml
- For other information contact: fcpsinfo@fcps.edu