

**ADVERTISED**

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# **BUDGET**

Fairfax County, Virginia

**FY 17**

**Joint BOS/SB Meeting  
February 26, 2016**



Financial Services

[www.fcps.edu](http://www.fcps.edu)



# Investing in Excellence

- FCPS has a tradition of excellence that continues despite the daunting challenges we face
- FCPS' reputation for excellence is forged through genuine community investment and together, we leverage our strengths to make a difference for every student
- Our success as a system attracts businesses and people to our county and it strengthens the quality of life in our community
- FCPS' Strategic Plan, Ignite, articulates the vision for the future of our system



## Advertised Budget Overview

- The budget reflects only the most pressing needs of our system
- After 9 consecutive years of reductions, this budget prevents the next round of cuts which would further impact programs and services
- Our request includes funding required for benefits and contractual increases and adds funding for our most pressing needs
  - Employee salary increases
  - Elementary class size reductions



## With a 3% Transfer Increase

- There's a gap of \$67.9 million
- We cannot even fund the basic needs of our system
- Further cuts would be required
- The County stated that additional significant program reductions will change the fabric of the County irrevocably and this is also true for FCPS
- For both County and schools, we must begin to look ahead and recognize that investments are necessary to keep Fairfax strong



## Not a Needs-Based Budget

- Does not include the following significant needs
  - Elementary class sizes capped at 25 students \$24.5M
  - Eliminating the pre-k waitlist including facility needs \$32.9M
  - Textbooks replacement \$7.4M
  - Providing each student with a computer \$63.3M
    - One-time cost
  - Computer replacement cycle \$25.8M
  - Bus replacement \$2.2M
  - Funding preventive and major maintenance \$30.0M
  - Increasing teacher salaries to market average \$51.1M
    - In addition to the \$40 million in our advertised budget



## FY 2017 Advertised Budget Overview

- \$2.7 billion operating budget
- 4.8 percent increase over the FY 2016 Approved Budget, assuming a 6.7% transfer increase
  - The majority of the increase represents a modest investment in our employees
- 10<sup>th</sup> largest school system in the country



## Key Priority – Class Size



"It is the supreme art of  
the teacher to awaken  
joy in creative expression  
and knowledge."

Albert Einstein



## Addressing Elementary Class Size

- Class size has risen three times in the past decade
- Guidelines for elementary class size were implemented in FY 2016
- Investing over \$10 million to address elementary class size and ensure all classes are below 30 where classroom space is available
- This is not all that is needed to reduce class size – but it is a step in the right direction



## Key Priority – Compensation



"The only way to do  
great work is to love  
what you do."

Steve Jobs



## Employee Compensation

- FCPS must provide a basic salary increase for all employees each year
  - In 4 of the last 7 years, FCPS employees have not received a step increase
  - In 3 of the last 7 years, FCPS employees have not received a market scale adjustment
- Step increase for eligible employees and a 1.0 percent market scale adjustment (MSA) for all employees are proposed for FY 2017

**The cost of this basic increase totals \$62.2 million which is greater than the proposed transfer increase**

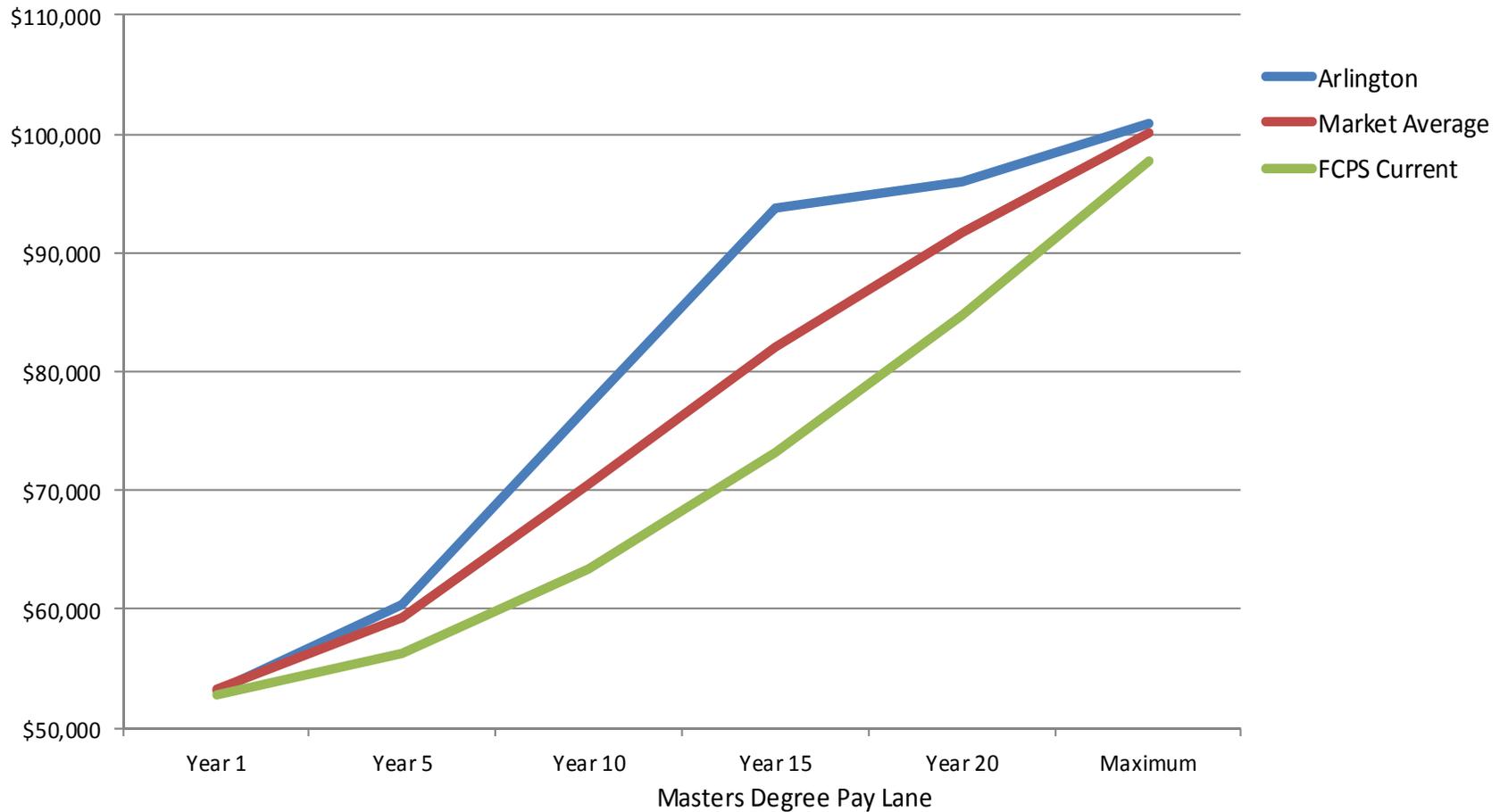


## Investing in Teachers

- Compensation study underway with major finding:
  - **FCPS is significantly below the market average for teacher salaries and total compensation**
    - At the 15th year, an FCPS teacher’s salary is about \$8,500 below the market average and about \$20,000 below an Arlington County teacher’s salary
    - Over a 30-year career, an FCPS teacher earns \$142,000 less than the average of surrounding school-districts, and \$293,000 less than a teacher in Arlington County
    - Total compensation still leaves a gap of \$52,000 over a 30-year career as compared to the market average and \$141,000 as compared to Arlington
- After beginning the hiring process a month earlier, FCPS opened this school year with 200 teacher vacancies which is unprecedented



# Investing in Teachers



**FCPS is significantly below market during the middle years of teachers' careers resulting in lower cumulative earnings**

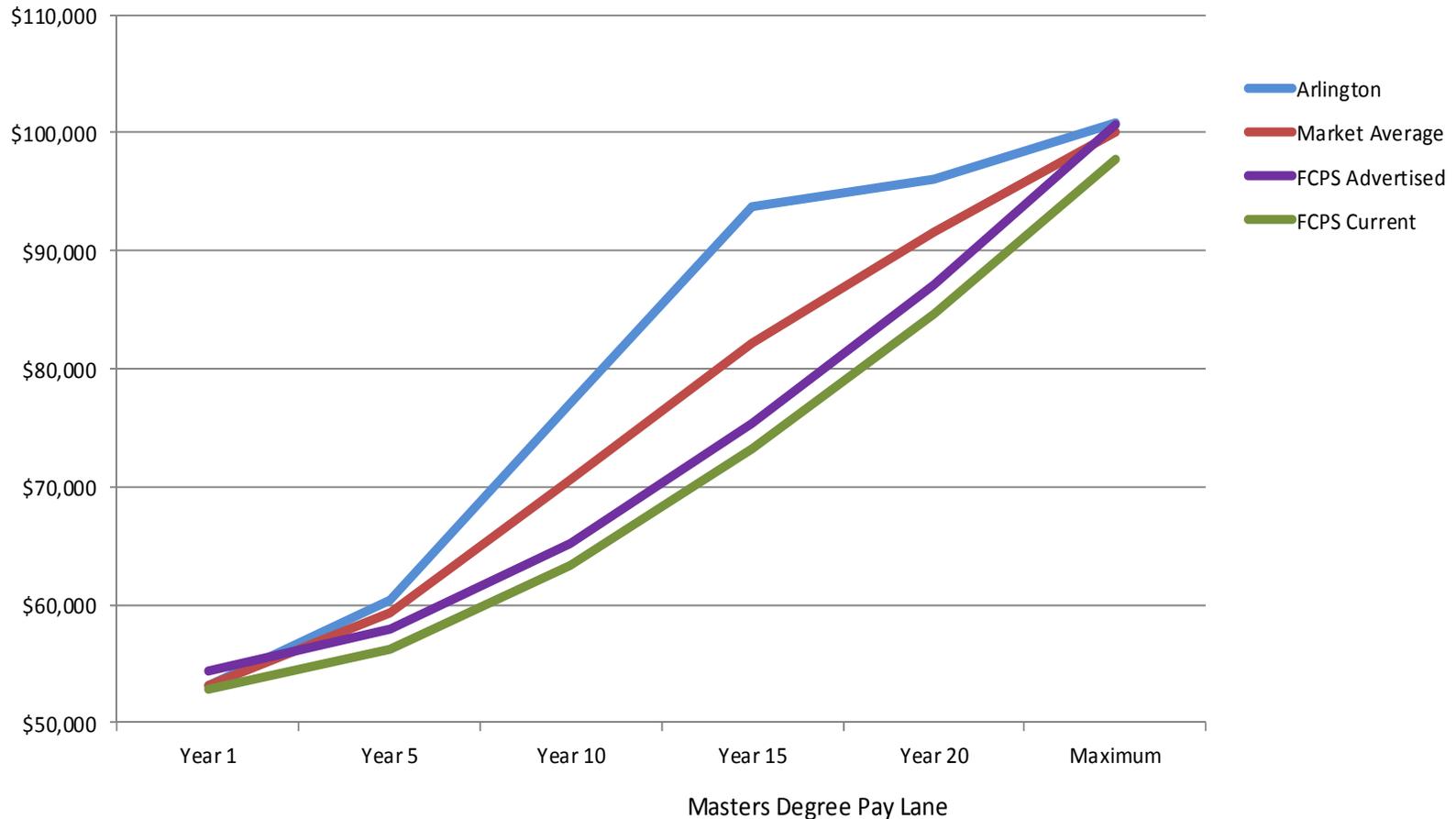


## Investing in Teachers

- In FY 2017, \$40.0 million is budgeted as an initial investment to improve teacher salaries
  - The School Board will determine how to apply the funding to the teacher scale
  - \$40 million closes the gap by less than half when looking at an FCPS teacher's earnings relative to the market average over a 30 year career



# Investing in Teachers



**A \$40 million investment will get us less than halfway to the market average**



# Total Compensation

Change from Prior Year	\$ in Millions
Base Salary Increase for All Employees (Step and 1% MSA)	\$62.2
Teacher Salary Scale Investment	\$40.0
Living Wage Adjustment	\$1.4
Health Insurance	\$16.5
Virginia Retirement System (VRS) Rate	\$11.9
Fairfax County Employees' Retirement System (FCERS) Rate	\$1.6

- The majority of FCPS' operating budget, 89.3 percent, is for employee compensation
- A base salary increase of a step and a 1.0 percent MSA is included resulting in an average increase of 3.3% for all employees
- The teacher-scale investment represents only the first step in a multiyear solution



# Other Adjustments



"The mind is not a vessel  
to be filled, but a fire  
to be ignited."

Plutarch



# Enrollment & Student Demographics

Change from Prior Year	\$ in Millions	Positions
Enrollment & Student Demographics (Base Savings)	(\$2.9)	(38.6)
Elementary Class Size Reduction	\$10.8	165.5

- Due to slowing growth, there is no requirement to add additional funding for enrollment in FY 2017
- After increasing class size three times to help balance the budget, elementary class sizes are among the largest in the region
- To begin to address elementary class size, funding of \$10.8 million is allocated to limit class sizes to less than 30 students where classroom space is available



# Enrollment and Demographics



**Since the FY 2016 actual enrollment was lower than projected, the FY 2017 Advertised Budget reflects the decreased cost for enrollment**



# Program Operations & Infrastructure

Change from Prior Year	\$ in Millions
Contractual Services	\$4.0
School Bus Replacement	\$2.2
Utilities	\$1.0
Transfer to Grants & Self-Supporting Programs Fund	\$0.5

- Contractual services are used to increase efficiency and support effective service provision
- To address an aging bus fleet, FCPS has taken strategic steps to restore ongoing bus replacement funding
- Utility usage has been reviewed extensively, and savings have been achieved through energy management activities

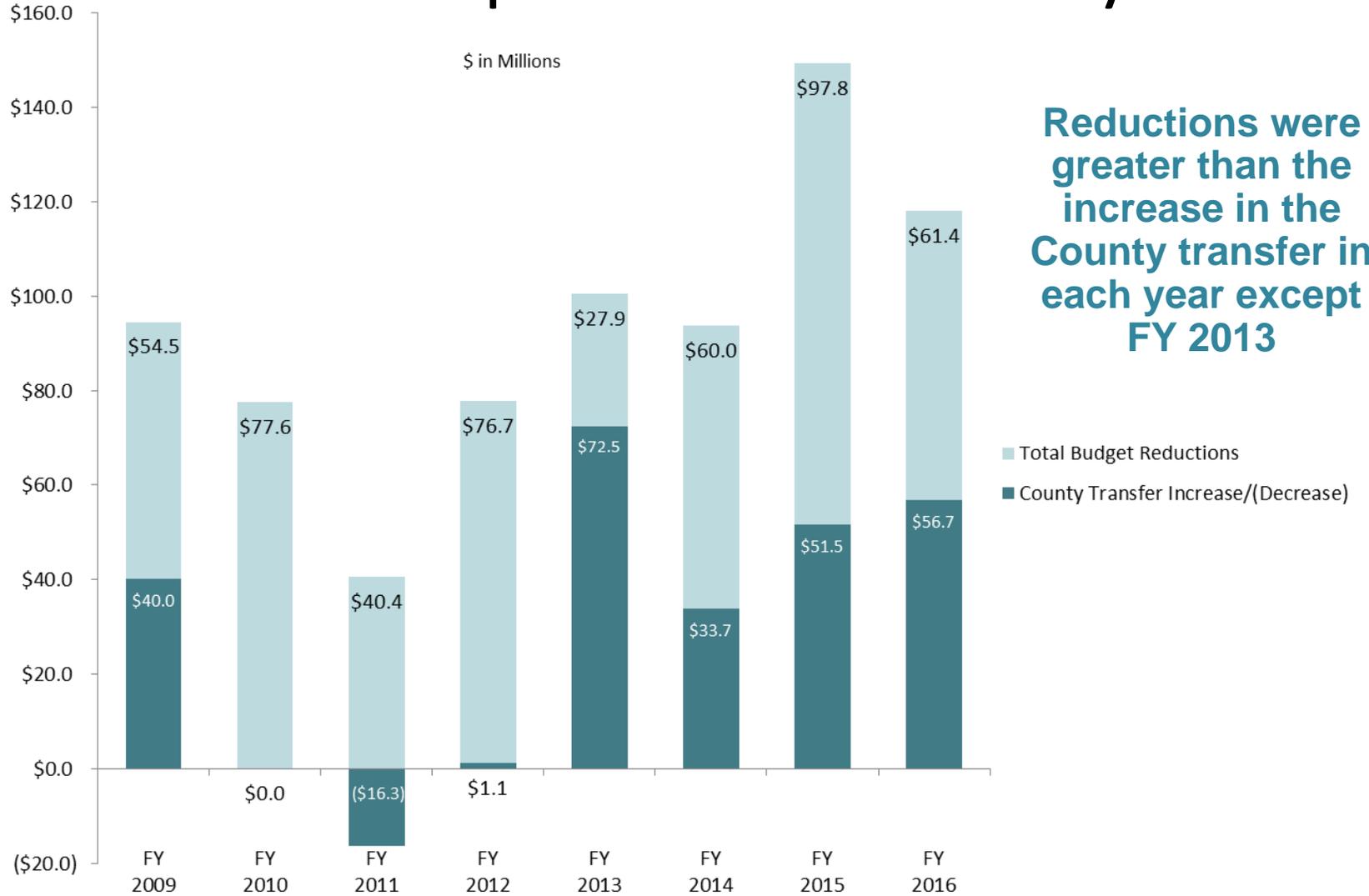


## Budget Reductions

- FY 2017 reductions of **\$27.7 million** are the result of one-time initiatives included in FY 2016 and the annual reduction in the salary base due to turnover
- Since FY 2008, revenues have not kept pace with expenditures, so to balance the available revenue with expenditure requirements, FCPS has made significant reductions to programs and services
  - Had the reductions not been made, FCPS' budget today would be **nearly half-a-billion** dollars higher and there would be an additional **2,175 full-time equivalent positions** serving students and schools



# Reductions Compared to the County Transfer

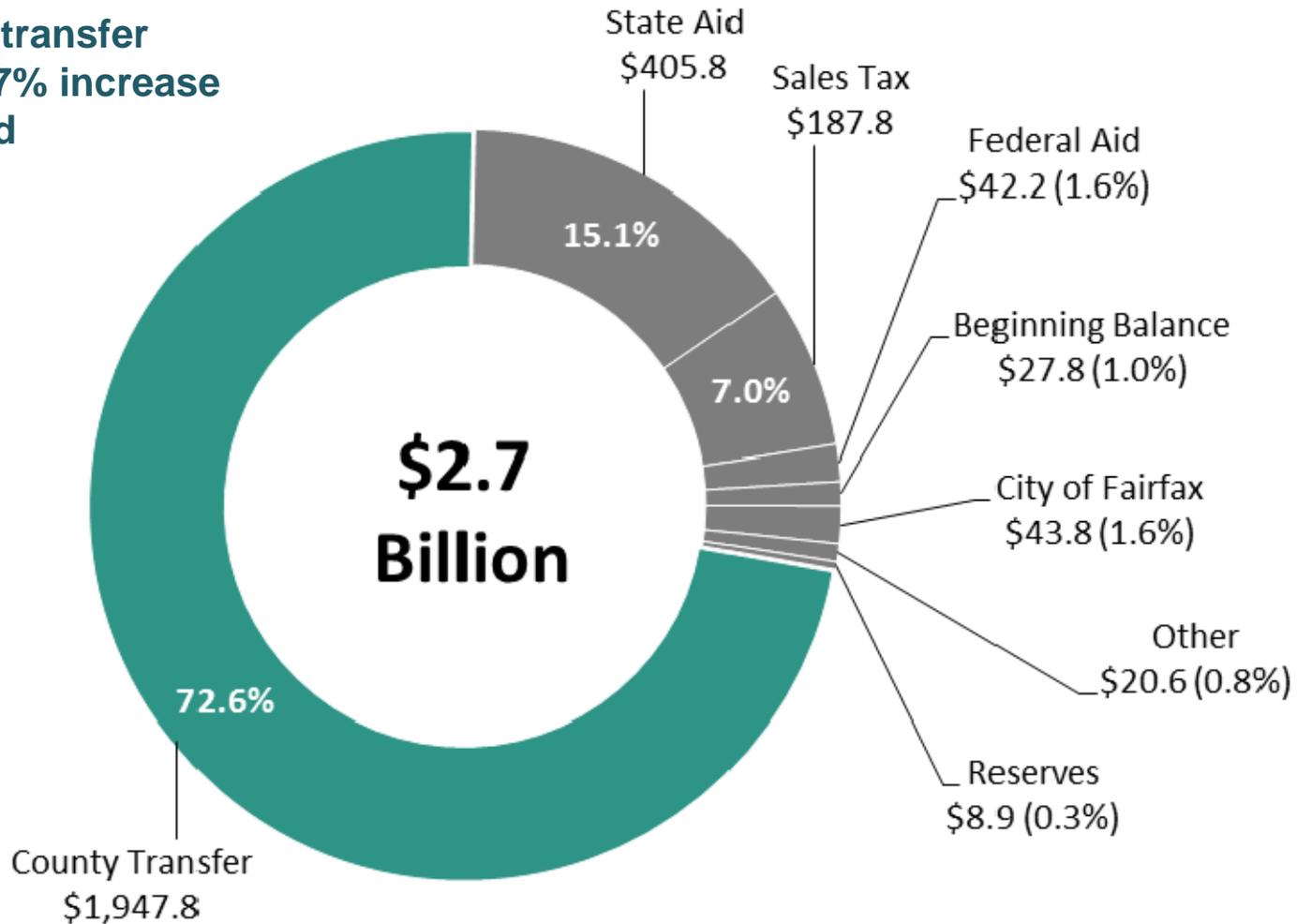




# FY 2017 Advertised Revenue

\$ in millions

The County transfer reflects a 6.7% increase as requested





# Revenue Adjustments

Revenue Highlights:	Change from Approved (\$ in millions)
– Requested increase in County funding	\$122.7
– State Aid*	\$0.0
– Sales Tax	\$5.5
– Fairfax City and Other Revenue	\$1.5

\*Level with FCPS’ FY 2016 Approved Budget and an increase of \$4.9 million above the Governor’s Caboose Budget



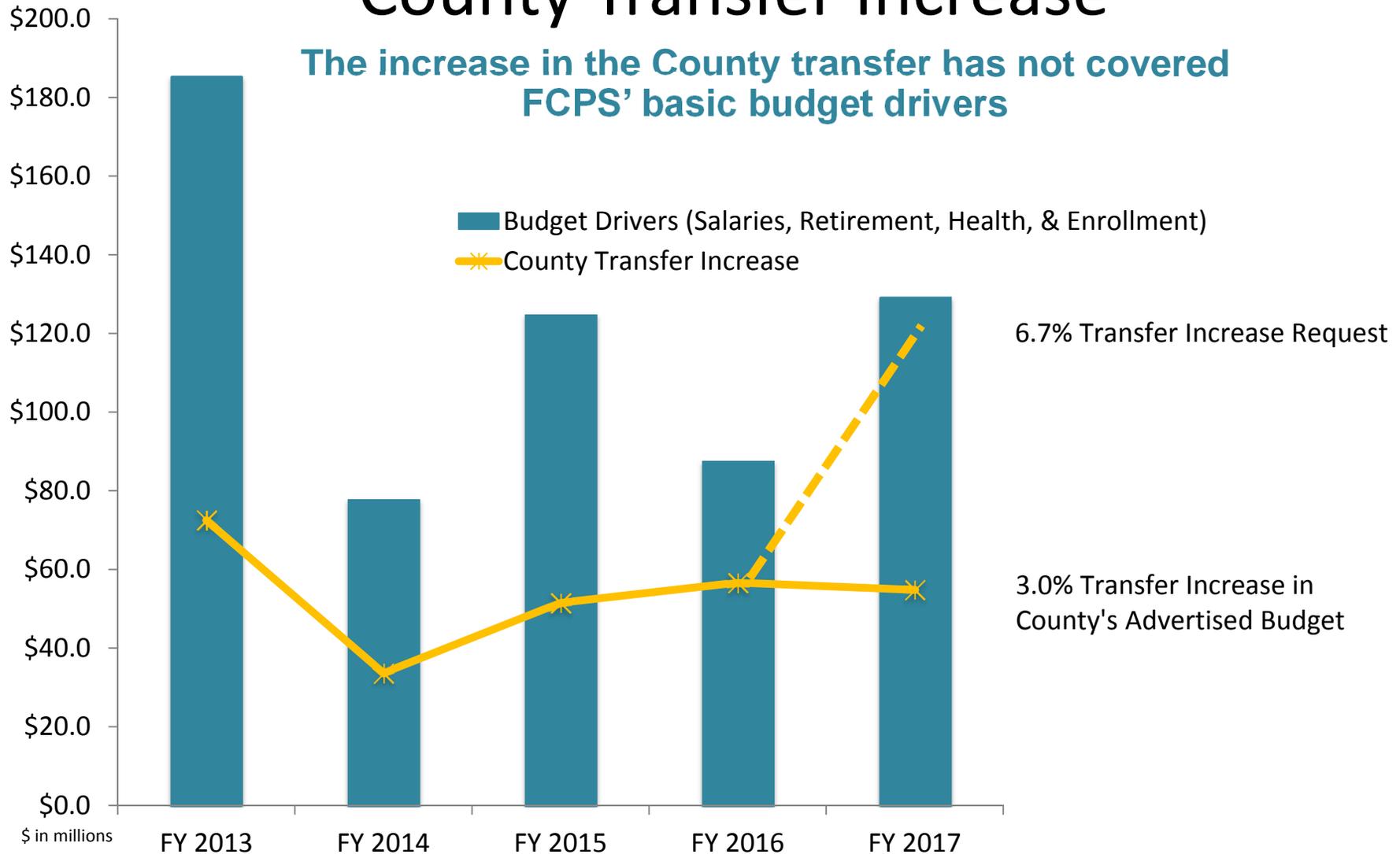
## County Transfer

- The FY 2017 Advertised Budget includes an increase in the county transfer of \$122.7 million, or 6.7 percent
- The requested transfer from the county represents 72.6 percent of FCPS' projected operating revenue for FY 2017
- While it is true that Fairfax County has increased the transfer to FCPS over the last decade – it is also true that due to increasing enrollment, salary increases, rising health care costs, and state retirement costs – FCPS has had to cut nearly half-a-billion dollars from the operating budget since 2008



# County Transfer Increase

The increase in the County transfer has not covered FCPS' basic budget drivers





# State Budget Update

State Aid Budget as Compared to FCPS' FY 2017 Advertised Budget			
(\$ in millions)			
Account Type	Governor's	House Amended	Senate Amended
	Introduced	Over	Over
	Over	Over	Over
	FY 17 Advertised	FY 17 Advertised	FY 17 Advertised
SOQ Accounts	\$4.6	\$4.7	\$10.0
Incentive	3.6	0.3	5.1
Categorical	0.0	0.0	0.0
Lottery Funded	(2.0)	4.8	(3.5)
<b>State Aid Impact</b>	<b>\$6.1</b>	<b>\$9.7</b>	<b>\$11.5</b>
Adjusted ADM Impact	(2.9)	(3.0)	(2.9)
<b>Revised State Aid Impact</b>	<b>\$3.2</b>	<b>\$6.8</b>	<b>\$8.6</b>

- Sales tax revenue will continue to be monitored and will be updated when the budget is adopted



## State Budget Update

- The House and Senate amendments repurposes funding from the Governor's plan to provide additional instructional positions for elementary schools in FY 2017, eliminating the match requirement
- Consistent with the Governor's Introduced Budget, the House and Senate recommend increasing rates for state life insurance in FY 2017 and for the Virginia Retirement System in FY 2018
  - The retirement rate increases result in significant expenditure impacts in FY 2018 that far exceed the revenue



# Efficiencies and Comparison Data

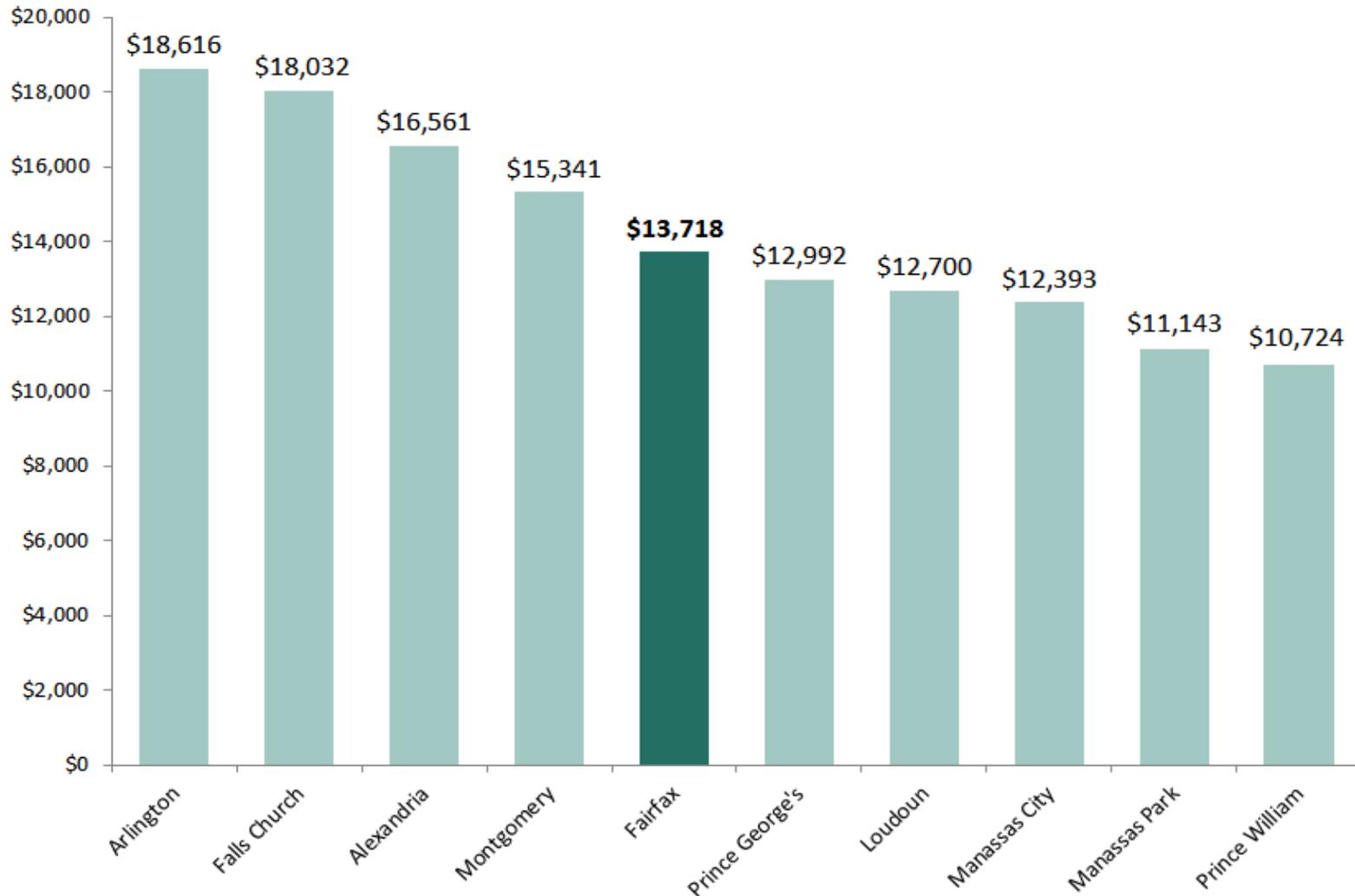
*"We are what we repeatedly do.  
Excellence then, is not an  
act, but a habit."*

*Aristotle*





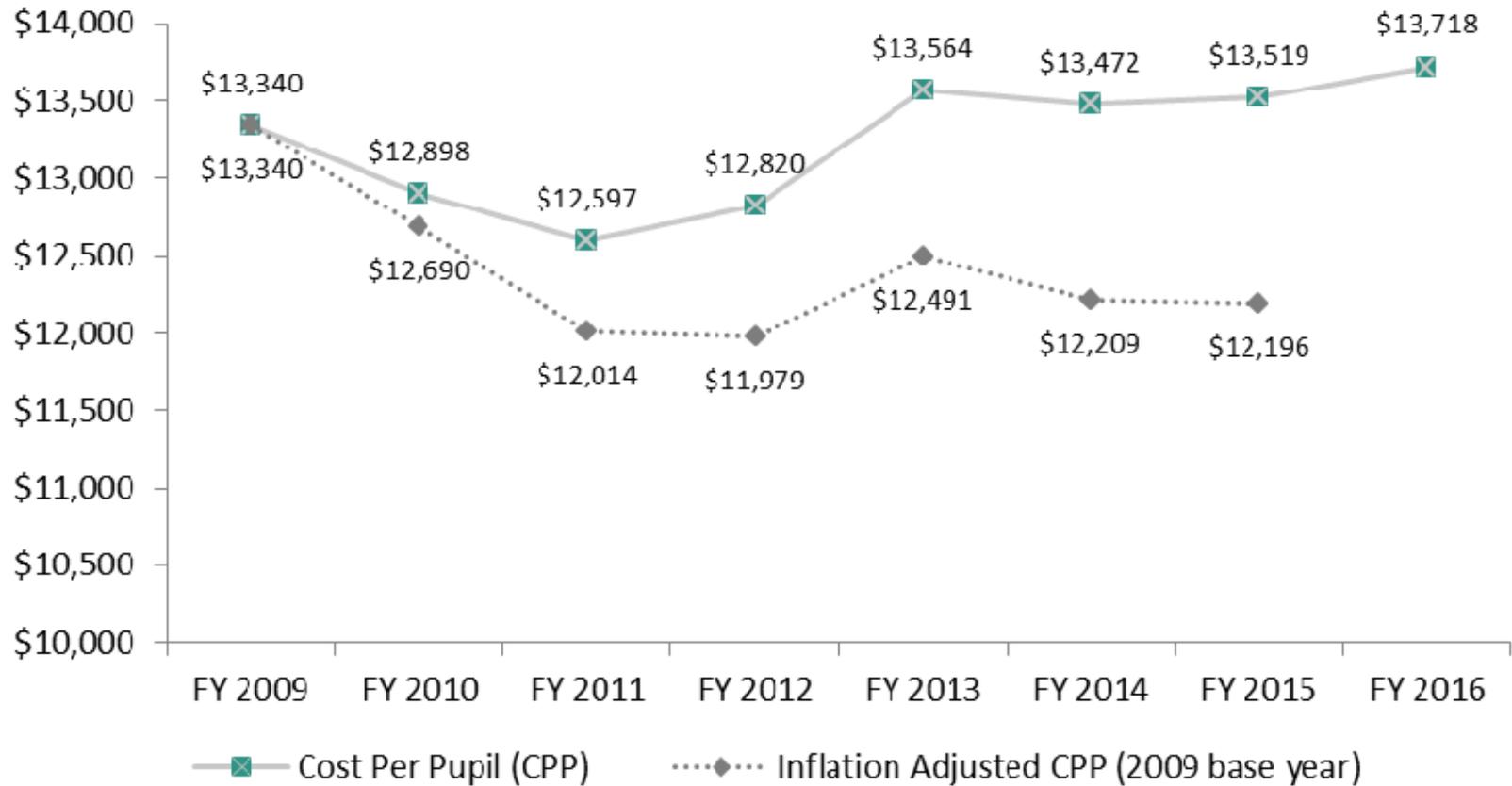
# Cost Per Pupil



SOURCE: FY 2016 Washington Area Boards of Education (WABE) Guide



# Cost Per Pupil Overtime





# WABE School Systems Proposed Budgets

FY 2017 Proposed Budget Comparison of Surrounding School Divisions		
	Percent increase over FY 2016 Approved	Percent increase in local/county funding request
Prince George's County	12.0%	19.1%
Loudoun County	8.8%	8.8%
Alexandria City	6.9%	5.9%
Montgomery County	5.8%	7.1%
Falls Church City	5.0%	5.4%
Fairfax County	4.8%	6.7%
Arlington County	4.1%	2.6%
Prince William County	3.9%	5.4%
Manassas City	3.5%	1.2%
Manassas Park City	Presents to School Board on March 14, 2016	



# WABE School Systems Prior Budget Increases

WABE Comparison of Operating Budget Increase Over Prior Year							
School Division	FY 2017 Proposed	FY 2016 Operating Fund <sup>1</sup>	FY 2015 Operating Fund <sup>1</sup>	FY 2014 Operating Fund <sup>1</sup>	FY 2013 Operating Fund <sup>1</sup>	FY 2012 Operating Fund <sup>1</sup>	5-Year Average
Manassas Park City	Not released yet	8.9%	9.7%	2.8%	8.6%	Did not participate	7.5%
Loudoun County	8.8%	7.6%	8.4%	2.8%	8.5%	4.9%	6.4%
Falls Church City	5.0%	3.8%	9.0%	8.9%	5.3%	3.2%	6.0%
Arlington County	4.1%	4.2%	3.2%	4.9%	5.1%	5.6%	4.6%
Prince William County	3.9%	4.2%	3.5%	2.5%	6.0%	6.7%	4.6%
Manassas City	3.5%	2.9%	5.1%	1.8%	5.7%	4.6%	4.0%
Alexandria City	6.9%	2.3%	3.4%	3.0%	3.4%	7.4%	3.9%
<b>Fairfax County<sup>2</sup></b>	<b>4.8%</b>	<b>2.3%</b>	<b>1.8%</b>	<b>1.1%</b>	<b>7.8%</b>	<b>3.5%</b>	<b>3.3%</b>
Prince George's County	12.0%	9.7%	-1.0%	3.5%	3.0%	-3.0%	2.4%
Montgomery County	5.8%	1.5%	2.1%	4.6%	1.5%	Did not participate	2.4%

<sup>1</sup> Funds for entitlement grants are included in Operating Funds, even for districts that do not include those expenditures in their operating funds. Also, Adult Education, Summer School, competitive grants and other are included. Numbers will not necessarily match the approved operating budget.

<sup>2</sup> For Fairfax County Public Schools, the operating fund excludes transfers to other funds of \$28.9 million, textbook replacement reserve of \$8.9 million and future beginning balance of \$4.0 million.



## Advertised Budget Overview

- The FY 2017 budget proposal is the first step in renewing our school system
- After 9 consecutive years of reductions, this budget protects programs and services from the next round of cuts
- For both county and schools, we must begin to look ahead and recognize that investments are necessary to keep Fairfax strong
- We are dependent on the County to close the gap and fund our Advertised Budget request



1/28/16

Dear Dr. Garza,

My name is

and I am in third grade  
at Lane E.S. Please fund  
all of FCPS. If you don't,  
I might lose my teacher,  
and my class will get  
bigger. I don't want  
that to happen, please.

future  
voter,

1/28/16

Dear Dr. Garza,

my name is

and I am in 1st

grade at Lane E.S. Please fund all of FCPS. If  
you don't, my teacher could lose her job. I don't  
want that to happen, please.

Future  
Voter,