

FY 2016 Fiscal Forecast School Operating Fund



**JOINT BUDGET DEVELOPMENT COMMITTEE
SEPTEMBER 24, 2014**

Preliminary Information for Planning Purposes Only - No School Board Action Has Been Taken

Looking Back

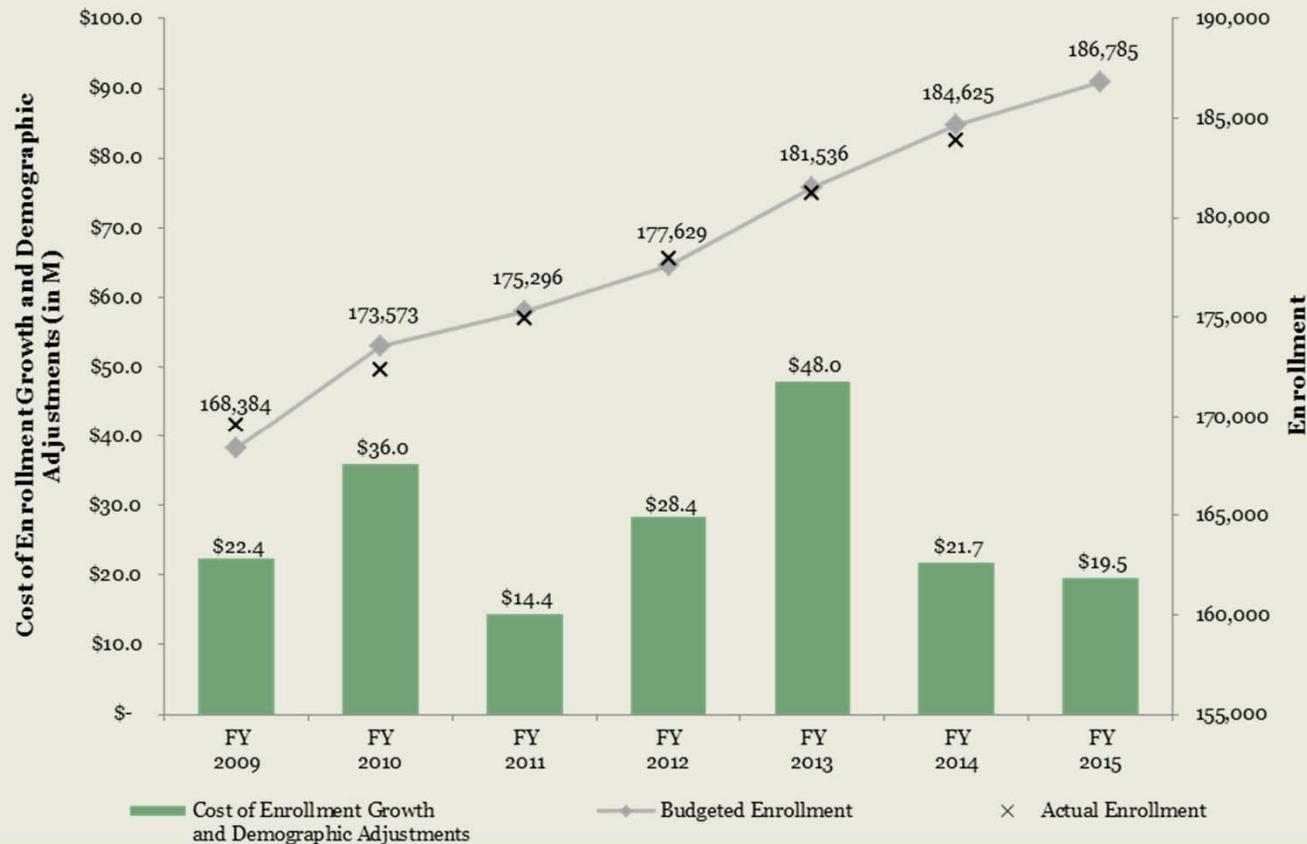
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**WHILE EXPERIENCING CONTINUED
ENROLLMENT INCREASES AND SHIFTS IN
STUDENT DEMOGRAPHICS, FCPS TOOK
SIGNIFICANT BUDGET REDUCTIONS**

Looking Back: Enrollment Growth

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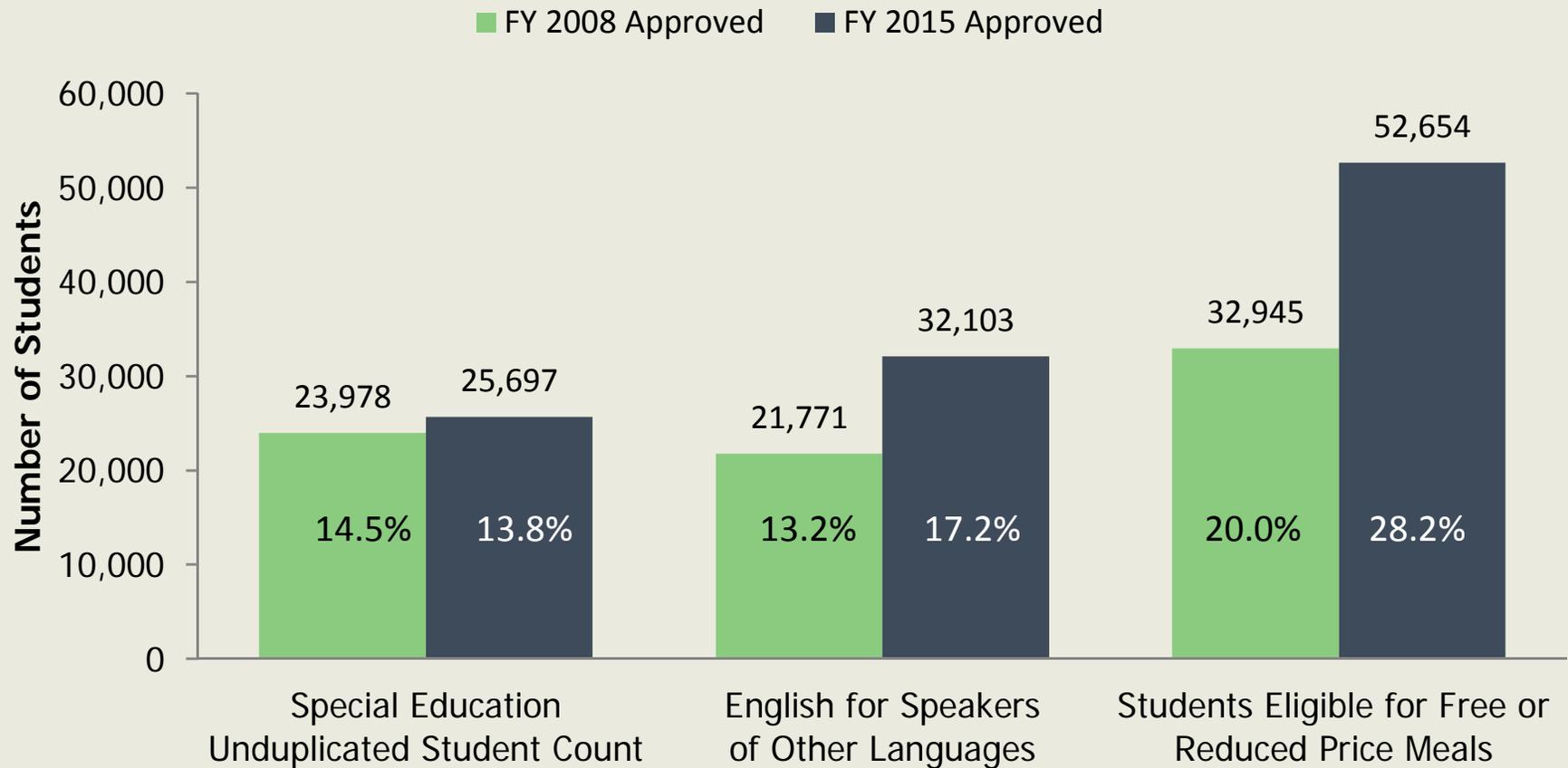
- Since FY 2008 FCPS' enrollment increased by nearly 22,000 resulting in increased costs of more than \$190 million



Looking Back: Changing Demographics

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Student Demographic Trends and Percent of Total Enrollment



Looking Back: Budget Reductions

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- **Since FY 2008**

- FCPS identified nearly \$435 million in budget savings and reductions including the elimination of more than 2,175 positions
 - ✦ Significant reductions to central office and school support
 - ✦ Class size was increased 3 times resulting in an increase of 1.5 - 2.0 students per teacher
 - ✦ Programs were eliminated or redesigned: for example, Focus, Planetariums, Student Accountability, and Summer School

FCPS Budget Summary							
<i>(\$ in millions)</i>	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Budget Reductions	-\$54.5	-\$77.6	-\$40.4	-\$76.7	-\$27.9	-\$60.0	-\$97.8
Cumulative Total	-\$54.5	-\$132.1	-\$172.5	-\$249.2	-\$277.1	-\$337.1	-\$434.9

- Compensation actions
 - ✦ Contract-length reductions for more than 3,000 employees
 - ✦ Pay frozen in FY 2010 and FY 2011
 - ✦ No step increases in FY 2010, 2011, 2013, and 2014

Looking Forward

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TO FY 2016 AND BEYOND

Looking Forward: Strategic Plan

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- **Strategic Plan Process**

- During the 2013-2014 school year, the division partnered with ECRA Group, Inc. to develop a strategic plan to document the current state of the division and determine a future direction.
- The strategic planning process asked Board members to participate in interviews and stakeholders to participate in focus groups and surveys.
- Approximately 30,000 stakeholders provided input during the strategic planning process.
- The final strategic plan will provide a framework for planning and decision-making.
- Funding may be needed for initiatives identified as the Strategic Plan is developed and implemented

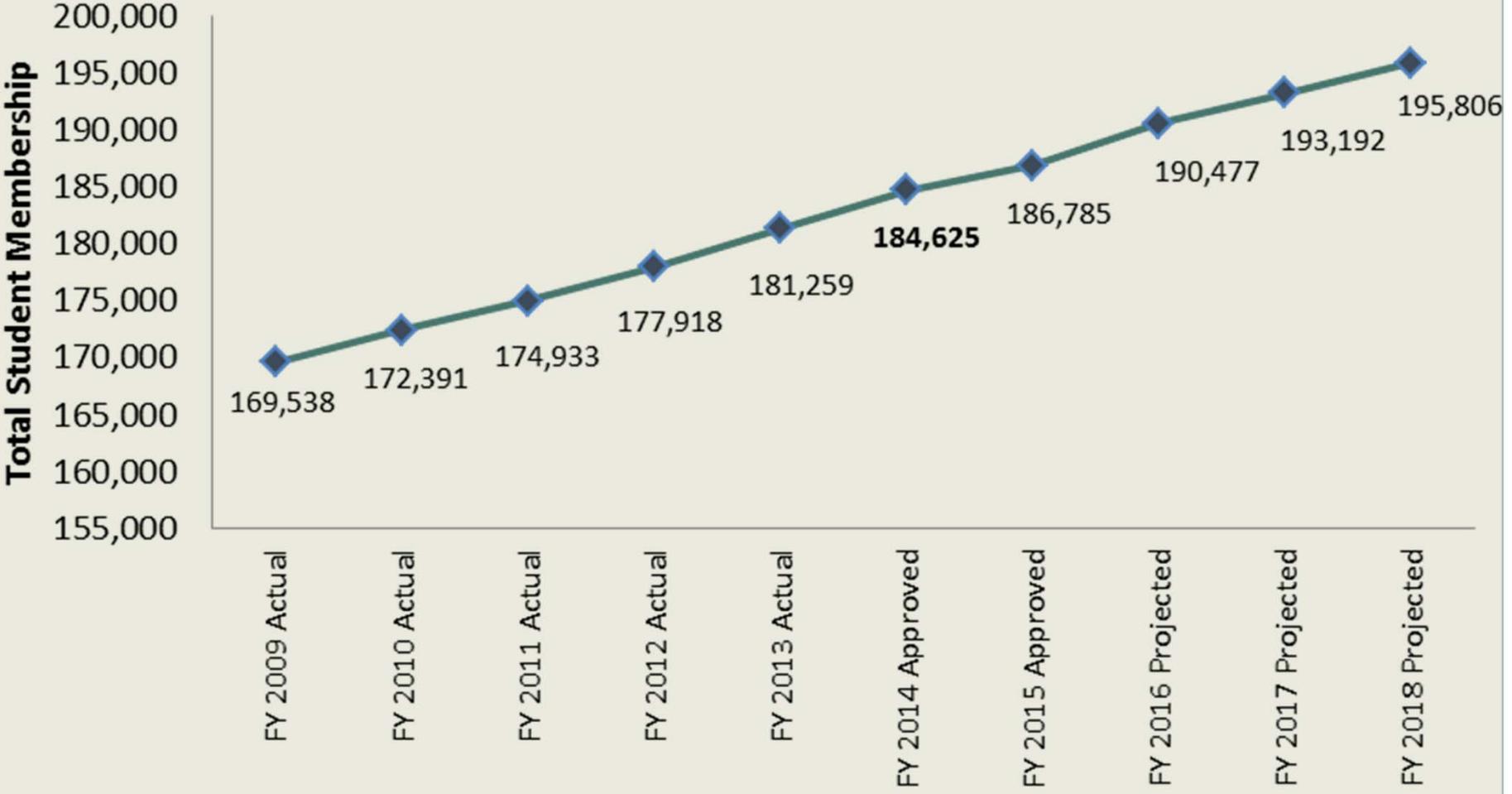
Budget Drivers for the Foreseeable Future

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- **Growing Student Population with Diverse Needs**
 - Student enrollment continues to increase and student demographics continue to shift, reflecting increased needs
- **Competitive Compensation**
 - Employee salary increases are a divisionwide priority and FCPS behind in competitiveness in the region
 - Virginia Retirement System rates are set by the state and will increase substantially in both FY 2017 and FY 2019
- **Limited Revenue Growth**
 - The use of one-time money to meet ongoing needs has resulted in a structural deficit that needs to be eliminated
 - State funding for K-12 remains below FY 2009 level and is at risk as the state must address a significant revenue shortfall in FY 2016. Policy shifts have reduced funding for FCPS, and the Local Composite Index will be recalculated for FY 2017 and FY 2019.

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Projected Growth in Student Enrollment



FY 2014 Salary Comparisons

Starting Teacher Salaries FY 2014		Teacher Salaries Step 9, Masters Degree FY 2014		Maximum Teacher Salaries FY 2014	
Division		Division		Division	
Arlington	\$47,282	Arlington	\$71,982	Arlington	\$109,078
Alexandria City	\$46,774	Alexandria City	\$70,808	Prince William	\$106,448
Fairfax	\$46,756	Montgomery	\$67,723	Alexandria City	\$106,197
Loudoun	\$46,422	Falls Church City	\$63,012	Manassas Park City	\$103,656
Montgomery	\$46,410	Prince William	\$60,662	Montgomery	\$103,634
Manassas City	\$46,078	Prince George's	\$60,188	Manassas City	\$103,412
Prince William	\$45,370	Fairfax	\$59,590	Loudoun	\$103,074
Prince George's	\$44,799	Manassas City	\$58,562	Fairfax	\$100,898
Falls Church City	\$44,733	Manassas Park City	\$55,879	Falls Church City	\$100,437
Manassas Park City	\$43,219	Loudoun	\$55,078	Prince George's	\$91,752

Source: FY 2014 WABE Guide

Alexandria City, Arlington, FCPS, and Manassas City have completed the VRS shift.

Falls Church City, Loudoun, Manassas Park City, and Prince William have only shifted 2 percent, which will result in their salaries increasing by another 3% as mandated to cover the shift.

Virginia Retirement System Employer Rates

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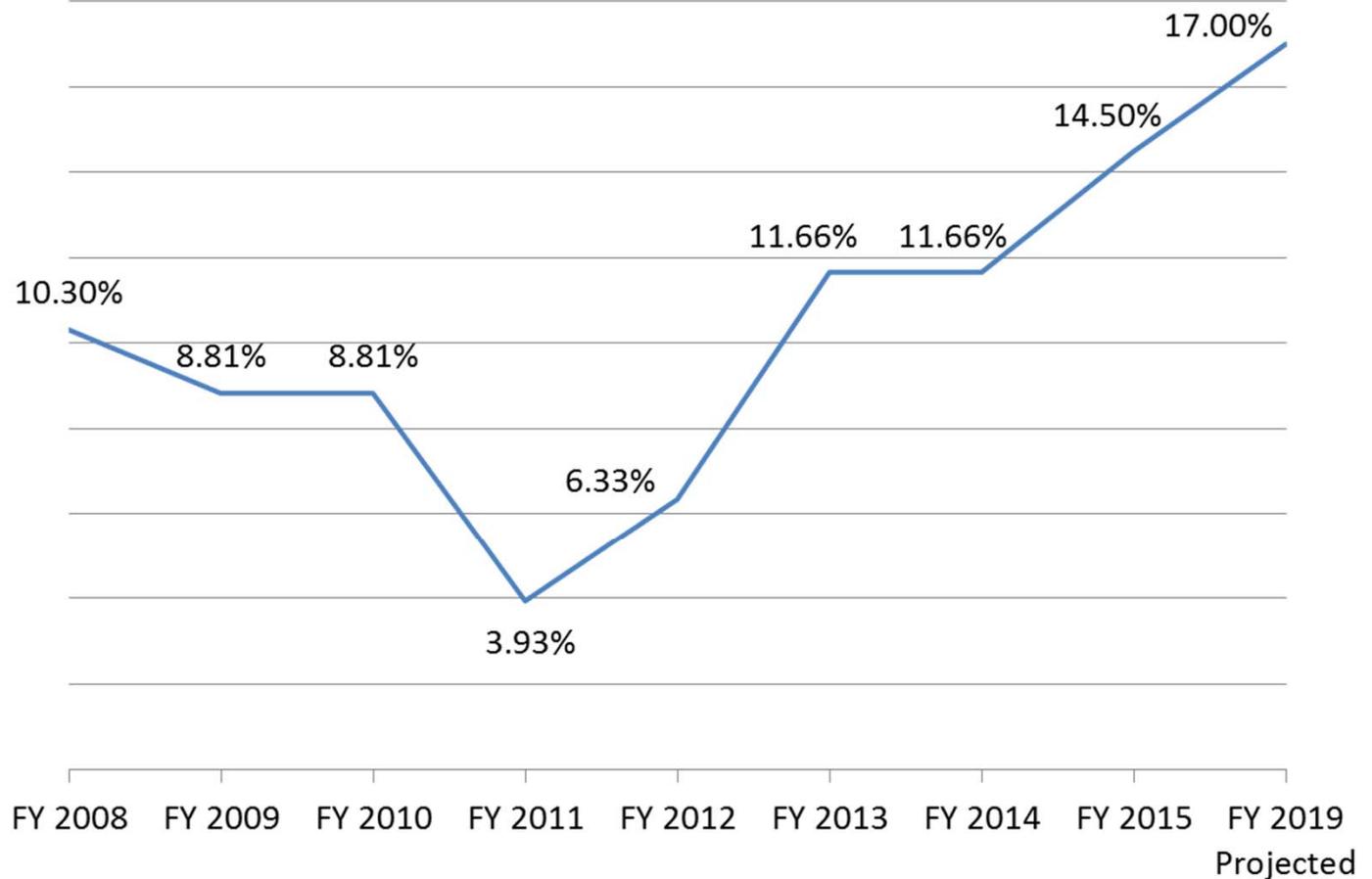
VRS rates were artificially lowered in FY 2011 to help balance the state budget

However, state law requires fully funding the actuarial rate by 2019-2020

VRS funded status for teachers as of June 30, 2013 was 62.1%

VRS Employer Contribution Rate

FY 2008 - FY 2015 Actual and FY 2019 Projected

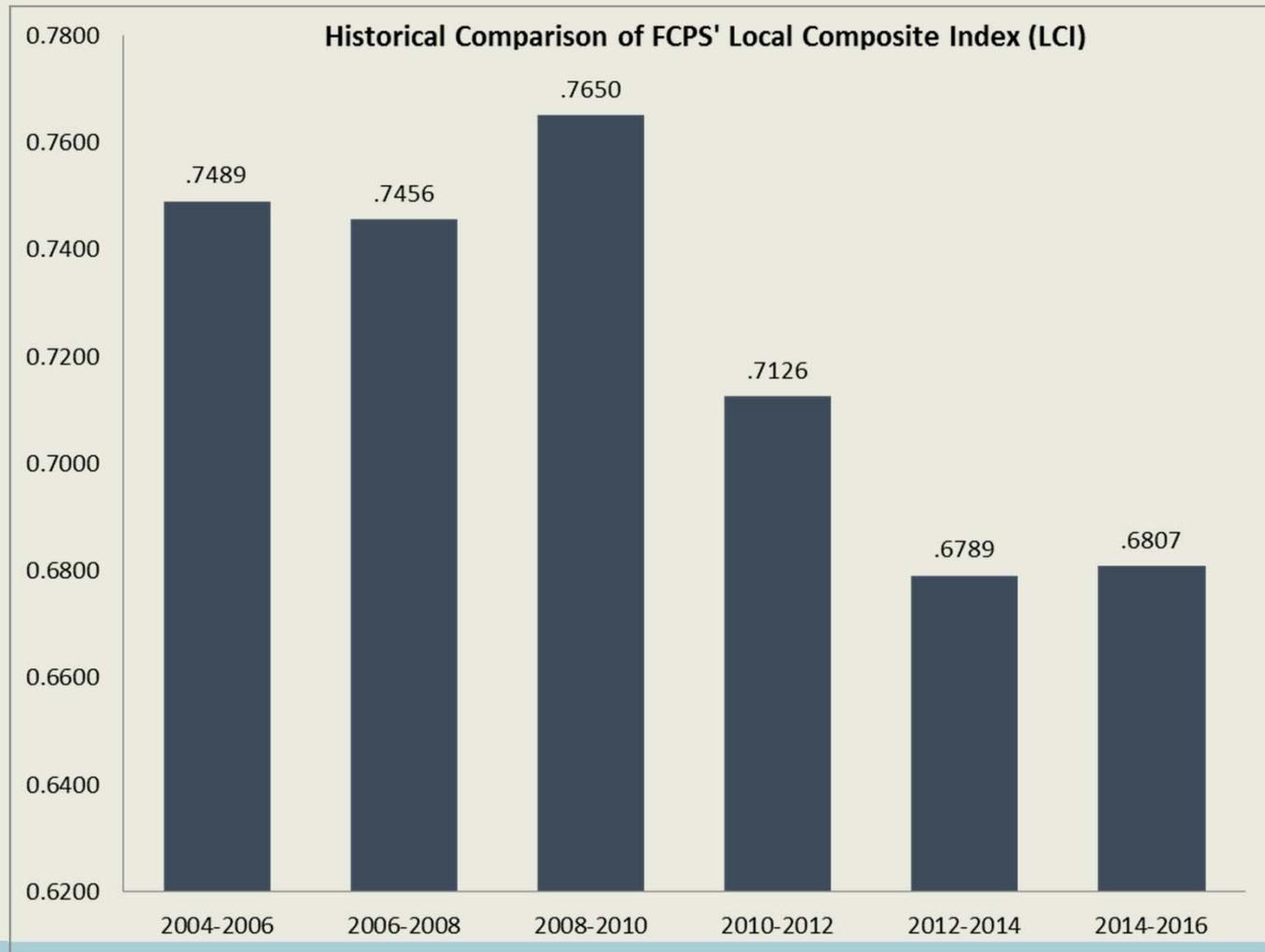


Local Composite Index Adjusts in FY 2017 and FY 2019

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Arlington, Alexandria, Fairfax City, and Falls Church City have an LCI at the cap of .8

Of the five Northern Virginia jurisdictions not already at the cap of 0.8, four saw an increase in their LCI for FY 2015 which resulted in a decrease in state funding



FY 2016 Fiscal Forecast

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PRELIMINARY FORECAST

FY 2016 Revenue Assumptions

FY 2016 Fiscal Forecast Projections			
<i>(\$ in millions)</i>	FY 2015 Approved	FY 2016 Forecast	Change
Funds Available:			
Beginning Balance	\$ 48.5	\$ 27.8	\$ (20.7)
County Transfer (shown as level to project need below)	1,768.5	1,768.5	-
State Revenue - Impact of Final FY 2015 State Adoption	405.9	401.4	(4.5)
State Revenue - Impact of Enrollment Growth		3.6	3.6
State Revenue - Reduction Placeholder		(19.4)	(19.4)
Sales Tax	173.8	178.8	5.0
Federal Aid	42.0	42.0	-
Fairfax City and Other Revenue	61.6	62.8	1.2
Funds Available	\$ 2,500.3	\$ 2,465.5	\$ (34.8)
Textbook Reserve Beginning Balance	\$ 3.5	\$ 6.1	\$ 2.6
Total Funds Available	\$ 2,503.8	\$ 2,471.6	\$ (32.2)

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

FY 2016 Required Expenditure Assumptions

FY 2016 Fiscal Forecast Projections			
<i>(\$ in millions)</i>	FY 2015 Approved	FY 2016 Forecast	Change
Expenditures:	\$ 2,468.8	\$ 2,468.8	\$ -
Enrollment and Demographic Changes			
Enrollment Growth/Student Demographics		21.3	21.3
Compensation			
Base Savings (due to turnover)		(27.0)	(27.0)
Impact of Delayed Step from FY 2015		10.4	10.4
Health Insurance Increase		1.2	1.2
Retirement Rate Increases		1.6	1.6
State Benefit Rate Changes		(2.8)	(2.8)
Other Post Employment Benefits		(3.5)	(3.5)
Full-Day Mondays (less contract length reductions)		6.3	6.3
Division Reorganization Savings		(0.6)	(0.6)

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FY 2016 Required Expenditure Assumptions

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FY 2016 Fiscal Forecast Projections

<i>(\$ in millions)</i>	FY 2015 Approved	FY 2016 Forecast	Change
Logistics			
Contractual Increases		2.0	2.0
World Languages Curriculum Development Placeholder		0.2	0.2
Transfers Out	28.9	31.1	2.2
Summer School, FECEP, Construction, and Adult ESOL			
Total Required Expenditures	\$ 2,497.7	\$ 2,508.9	\$ 11.2

Compensation and Programmatic Needs

FY 2016 Fiscal Forecast Projections			
<i>(\$ in millions)</i>	FY 2015 Approved	FY 2016 Forecast	Change
Employee Compensation			
Step Increase		\$ 39.8	\$ 39.8
MSA 1%		19.6	19.6
Programmatic Needs			
Blueprint for Change Placeholder		4.9	4.9
School Bus Replacement Funding		2.2	2.2
Transportation Radio System Refresh		1.2	1.2
Vehicle and Equipment Replacement		3.0	3.0
Total Compensation and Programmatic Needs		\$ 70.8	\$ 70.8

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FY 2016 Revenue & Expenditure Summary

FY 2016 Fiscal Forecast Projections

<i>(\$ in millions)</i>	FY 2015 Approved	FY 2016 Forecast	Change
Total Funds Available	\$ 2,503.8	\$ 2,471.6	\$ (32.2)
Required Compensation & Enrollment Adjustments	\$ 2,218.3	\$ 2,225.1	\$ 6.8
Required Logistics Adjustments	246.1	248.2	2.2
Transfers and Other Funds	33.4	35.5	2.2
Total Required Expenditures	\$ 2,497.7	\$ 2,508.9	\$ 11.2
Textbook Reserve Ending Balance	\$ 6.1	\$ 8.8	\$ 2.8
Projected Deficit Prior to Compensation & Program Increases	\$ -	\$ (46.2)	\$ (46.2)
Employee Compensation & Program Needs	\$ -	\$ 70.8	\$ 70.8
Projected Deficit Prior to County Transfer	\$ -	\$ (117.0)	\$ (117.0)
3% County Transfer Included in Budget Guidance	\$ -	\$ 53.1	\$ 53.1
Projected Deficit After County Transfer	\$ -	\$ (63.9)	\$ (63.9)

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FY 2016 Unfunded Needs

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**NOT INCLUDED IN FORECASTED SHORTFALL
PRESENTED FOR FY 2016**

FY 2016 Unfunded Identified Needs

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- **Lower Class Size**
 - Class sizes have increased three times during the economic downturn
 - Large class sizes are a challenge for students and teachers
- **Family and Early Childhood Education Program**
 - Expanding programs to eliminate the waiting list for pre-k services for students at risk is a countywide goal
- **Student Technology and Connectivity**
 - Students need access to technology and the internet at school and at home in order to learn and to compete in the world

FY 2016 Unfunded Identified Needs

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- **Infrastructure**
 - Preventive and Major Maintenance
 - ✦ Recurring funding is essential to reduce long-term costs and extend the life of major systems
 - Replacement Equipment, Buses, and Vehicles
 - ✦ FCPS does not currently have funding set aside for ongoing replacement of computers, technology equipment, and vehicles
 - ADA Compliant Playgrounds
 - ✦ While playgrounds are addressed when buildings are renovated, because of the length of time in the renovation cycle, FCPS has playgrounds that need changes to meet ADA requirements

FY 2017 and Beyond

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SIGNIFICANT COST DRIVERS CONTINUE

**STRATEGIC PLAN WILL PROVIDE A FRAMEWORK
FOR PLANNING AND DECISION-MAKING**

Budget Drivers – FY 2017 and Beyond

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- **Local Composite Index**
 - Will be recalculated which will likely reduce state funding
- **Enrollment and Student Demographics**
 - Projected increase in total students with continued increase in students who receive additional support and services
- **Virginia Retirement System Contributions**
 - Will increase from 80% to 90% of the actuarial rate
- **Salary Increases**
 - Priority is to provide employees with predictable salary adjustments annually

Planning for a Sustainable Future

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- Both the County and Schools have experienced many consecutive years of slow revenue growth, and program reductions and further cutbacks without significant programmatic impact are unlikely
- As such, the limited revenue growth outlook and the already pared down budget will challenge our ability to maintain the status quo in instructional programs and service delivery, as well as challenge our capacity to confront emerging needs, issues and opportunities