

Joint Budget Development Committee



SEPTEMBER 10, 2014

FY 2015 Budget Overview

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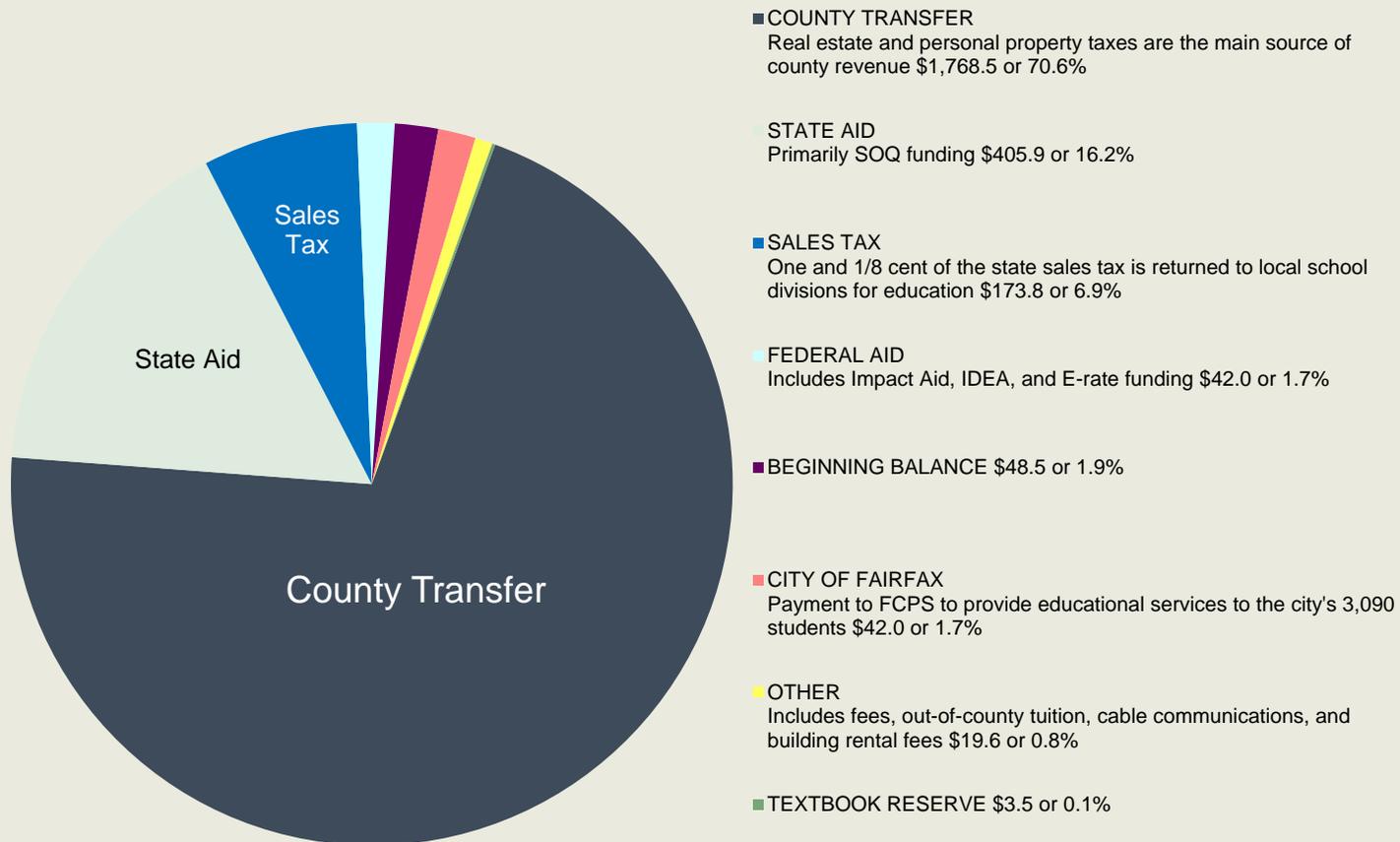
- The FY 2015 Approved Budget for School Operating Fund expenditures totals \$2.5 billion, an increase of \$39.9 million, or 1.6 percent, over the FY 2014 approved
- To balance the FY 2015 budget, a shared approach of making expenditure reductions totaling \$97.8 million and eliminating 724 positions, coupled with a requested increase in funding from Fairfax County was utilized

FCPS Revenue

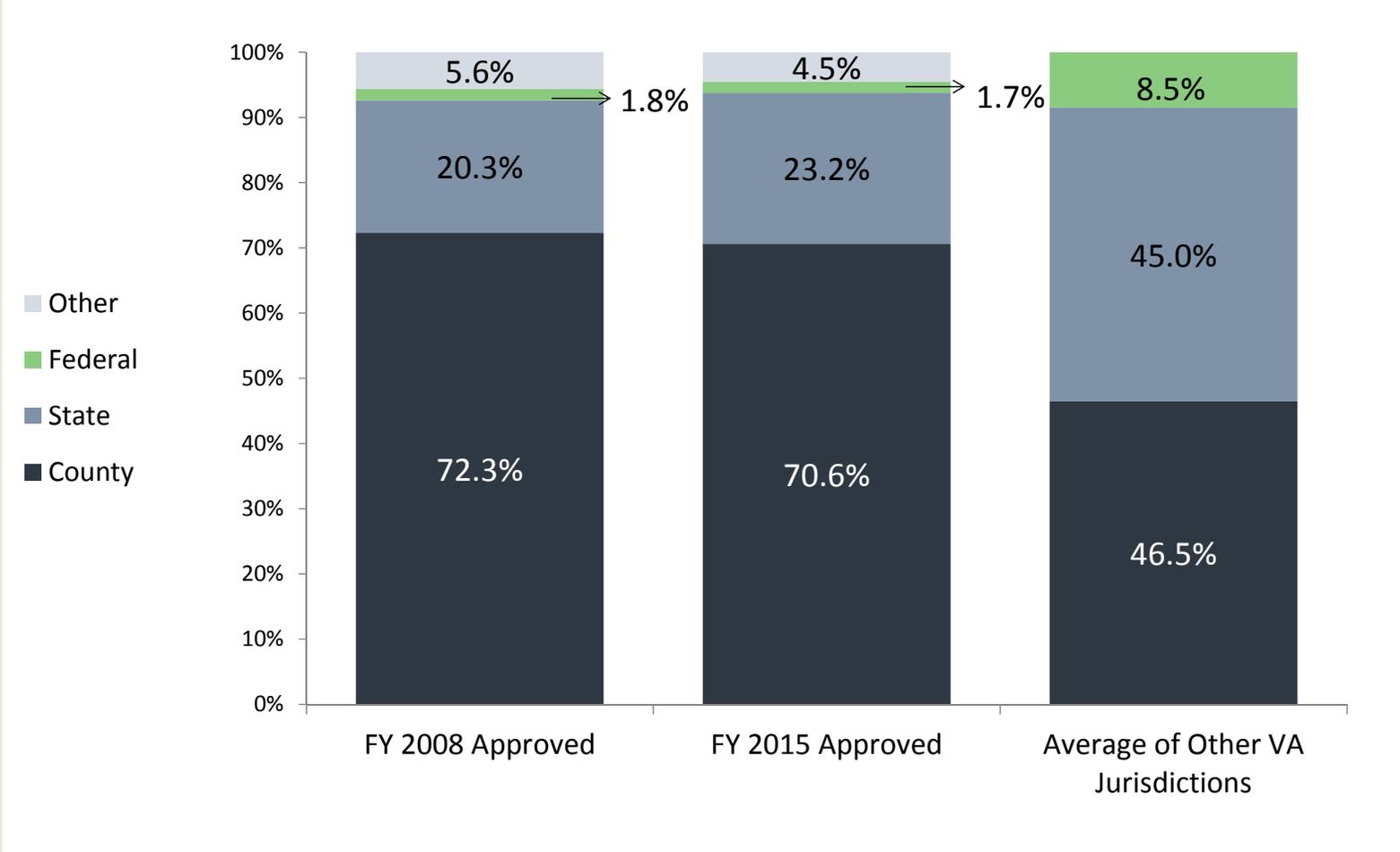
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FY 2015 Where FCPS' Revenue Comes From

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School Operating Fund Revenue Sources



Revenue Comparison

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State Revenue Changes (\$ in M)						
Approved Budget	FY 2008	FY 2015	7-Year Change	7-year % Change	Average Annual Change	
Sales Tax	\$ 162.6	\$ 173.8	\$ 11.2	6.9%	1.0%	
State Aid	\$ 282.3	\$ 405.9	\$ 123.6	43.8%	5.3%	
Total State	\$ 444.9	\$ 579.7	\$ 134.7	30.3%	3.9%	
FCPS' LCI*	0.7456	0.6807	-0.0649	-8.7%	-1.3%	

* Decrease in LCI results in an increased share of state aid.

Federal Revenue Changes (\$ in M)						
Approved Budget	FY 2008	FY 2015	7-Year Change	7-year % Change	Average Annual Change	
Total Federal	\$ 39.3	\$ 42.0	\$ 2.7	6.8%	0.9%	

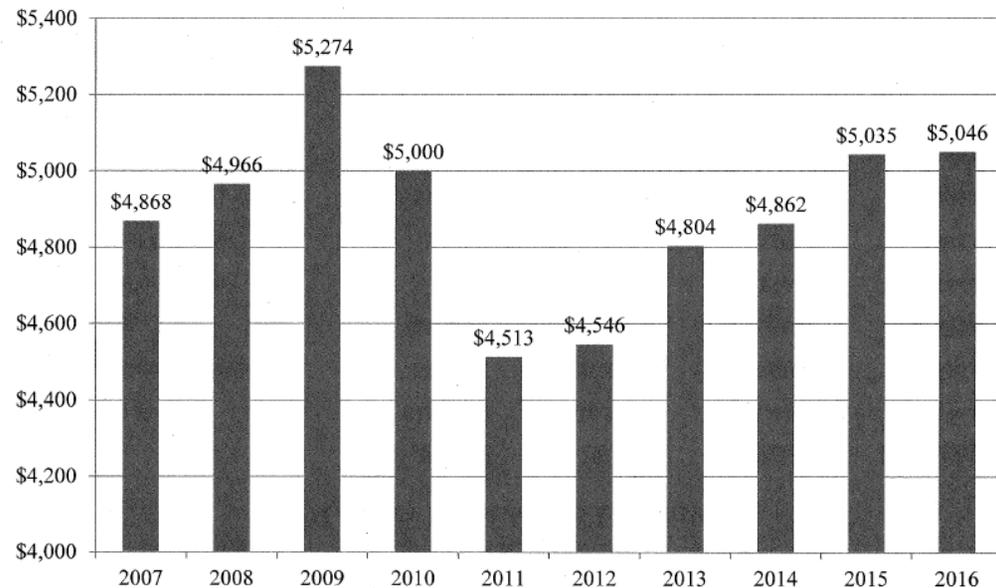
Funds Available (\$ in M)						
Approved Budget	FY 2008	FY 2015	7-Year Change	7-year % Change	Average Annual Change	
Total Funds Available	\$ 2,194.8	\$ 2,503.8	\$ 309.0	14.1%	1.9%	

State Aid

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- School divisions receive the majority of state aid based on their Local Composite Index (LCI)
- FCPS receives even less state aid per pupil than the average school division and must rely on local funding to make up the shortfall
- Overall relative state aid to localities is still declining in the state's adopted budget
- The Commonwealth is forecasting a shortfall in the Governor's proposed budget to be released in December

**State Per Pupil K-12 Funding Still Well Below FY09 Peak
(All State Appropriated Funds)**



Includes GF, lottery profits, miscellaneous NGF, and state appropriated federal stimulus funds
Source: http://www.doc.virginia.gov/school_finance/budget/calc_tools/index.shtml

Programs Funded by State Revenue

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- As the State began facing funding constraints, the General Assembly created a new category titled Lottery Funded Programs, which designated certain programs to be funded with lottery proceeds, rather than with state general funds.
- Recent policy changes have reduced K-12 funding and include a funding cap on support positions, eliminating several rebenchmarking formula components including: inflation on certain categories; terminated employees' annual and sick leave payments; travel; leases; extended school bus replacement cycle; textbook funding; and other miscellaneous categories

Programs Funded by State Revenue Sources		
	FY 2008	FY 2015
SOQ Programs		
Basic Aid	•	•
Textbooks	•	Split Funded
Vocational Education	•	•
Gifted Education	•	•
Special Education	•	•
Prevention, Intervention, Remediation	•	•
State Retirement	•	•
Social Security	•	•
Group Life	•	•
ESOL	•	Moved to Lottery
School Facilities		
Lottery for Construction and	•	Eliminated
Incentive Programs		
At Risk	•	Moved to Lottery
Salary Supplement	•	•
Early Reading Intervention	•	Moved to Lottery
Governor's School	•	•
Reduced K-3 Projects	•	Moved to Lottery
SOL Algebra Readiness	•	Moved to Lottery
Special Education Regional Tuition	•	Moved to Lottery
Supplemental Support School Operations		Eliminated
Categorical Programs		
Foster Care	•	Moved to Lottery
Homebound	•	•
GED Program	•	•
Career and Technical Education	•	Moved to Lottery
Lottery Funded Programs		
At Risk		•
Early Reading Intervention		•
Foster Care		•
Reduced K-3 Projects		•
SOL Algebra Readiness		•
Additional Support for Operations		Eliminated
Supplemental Support School Operations		Eliminated
Special Education Regional Tuition		•
Career and Technical Education		•
Governor's School		Moved to Incentive
Textbooks		Split Funded
ESOL		•

• Represents the program funded by the types of state categories.

Sales Tax

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- FY 2015 sales tax totals \$173.8 million, a 2.4 percent increase over FY 2014
- Sales tax increased in FY 2014 by 3.3 percent over FY 2013 actuals
 - This was due to a rise in sales tax and an increase in the school-age population in Fairfax County

Fiscal Year	FCPS Sales Tax (in millions)	Percent of Growth
FY 2008	\$ 155.2	
FY 2009	\$ 147.4	-5.0%
FY 2010	\$ 144.9	-1.8%
FY 2011	\$ 152.2	5.1%
FY 2012	\$ 158.3	4.0%
FY 2013*	\$ 166.8	5.4%
FY 2014	\$ 169.7	1.7%
FY 2015**	\$ 173.8	2.4%
*Weldon Cooper methodology implemented		
**Approved		

County Transfer

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- In FY 2015, the approved revenue budget for the School Operating Fund totals \$2.5 billion
- FCPS receives the majority of its funding, 70.6 percent, from local funds in the form of a transfer from Fairfax County Government
- The county transfer increased 3.0 percent from FY 2014 approved and revised, but the amount was less than the cost of expenditure increases for items beyond FCPS' control

County Transfer



FCPS Expenditures

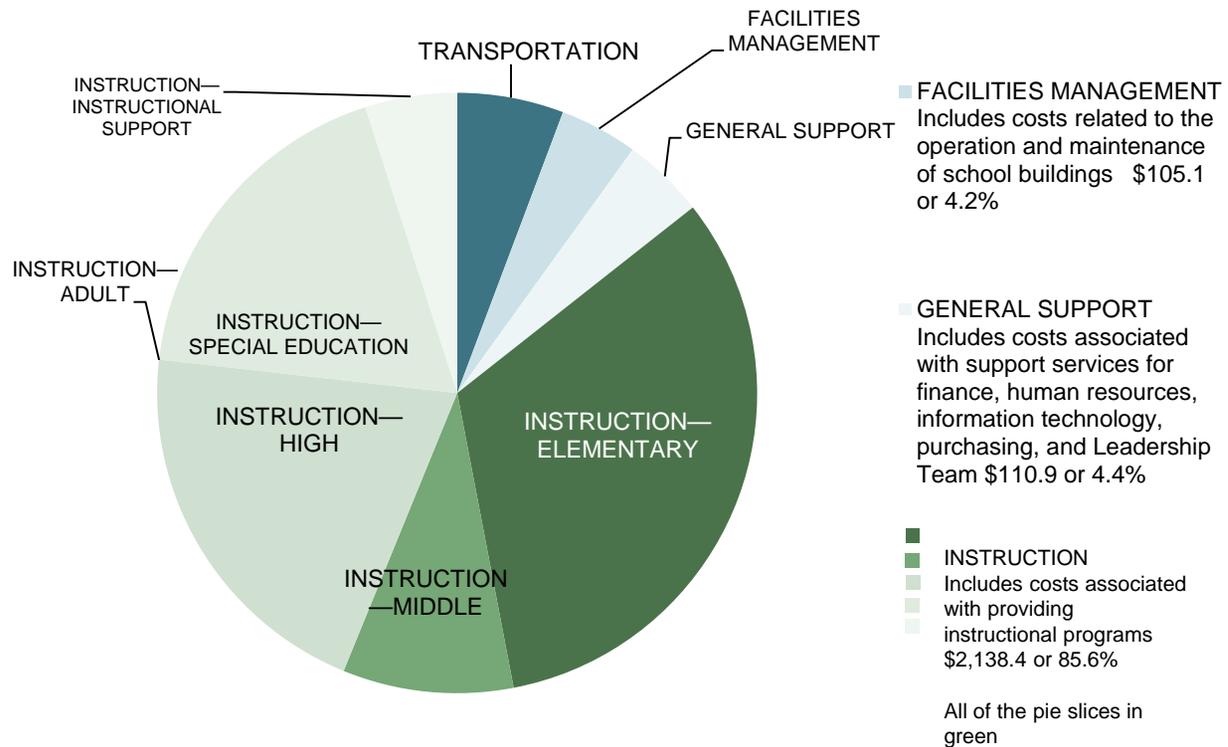
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FCPS FY 2015 Expenditures by Program

Funding instruction is always FCPS' highest priority

The importance FCPS places on instructional programs is illustrated by the fact that 85.6 percent of the budget is allocated to instructional programs

Where Does FCPS Spend Its Money?
(\$ in millions)



* Does not add due to rounding.
** Instruction also includes adult education, but does not appear in the graphic

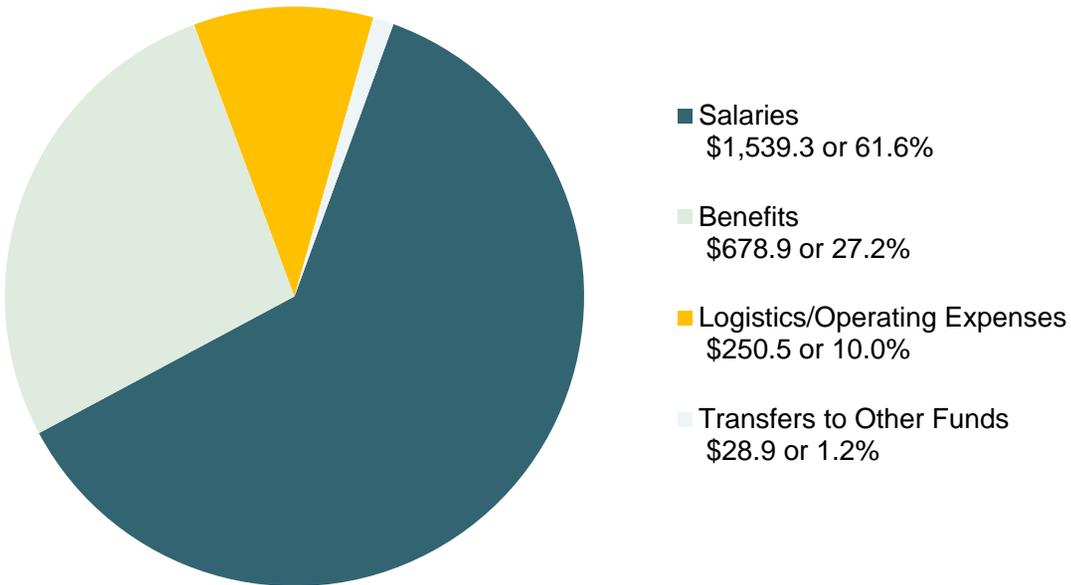
FCPS FY 2015 Expenditures by Category

Salaries and employee benefits together comprise compensation

The majority of the budget, 88.8 percent, is for employee compensation, reflecting the fact that education is a labor-intensive enterprise

A total of 23,447.3 School Operating Fund positions are funded in the FY 2015 Approved Budget. Of these positions, 93.2 percent are school-based

FY 2015 Approved Operating Expenditures by Category*
(\$ in millions)



* Does not add due to rounding

Significant Cost Drivers

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- **The FY 2015 Approved Budget for School Operating Fund expenditures totals \$2.5 billion. This is an increase of \$39.9 million, or 1.6 percent, over the FY 2014 Approved Budget**
- **The increase results from several significant cost drivers:**
 - Enrollment Growth
 - Retirement System Rate Increases
 - Health Insurance Rate Increases
 - Salary Increases for Employees

Expenditure Growth Since FY 2001

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- **Over the past 14 years (FY 2001- 2015 Approved), School Operating expenditures have increased by \$1.1 billion or 4.4% annually**
 - 72% of the total increases during this period occurred during the first 7 years (FY 2001-2008), with increases of \$810.0 million or 6.8% annually
 - During the last 7 years of the period expenditures increases slowed, as increases were offset by reductions necessary to balance the budget
 - ✦ Increases during this period were \$312.8 million, an average annual increase of only 1.9%

Expenditure Growth Since FY 2008

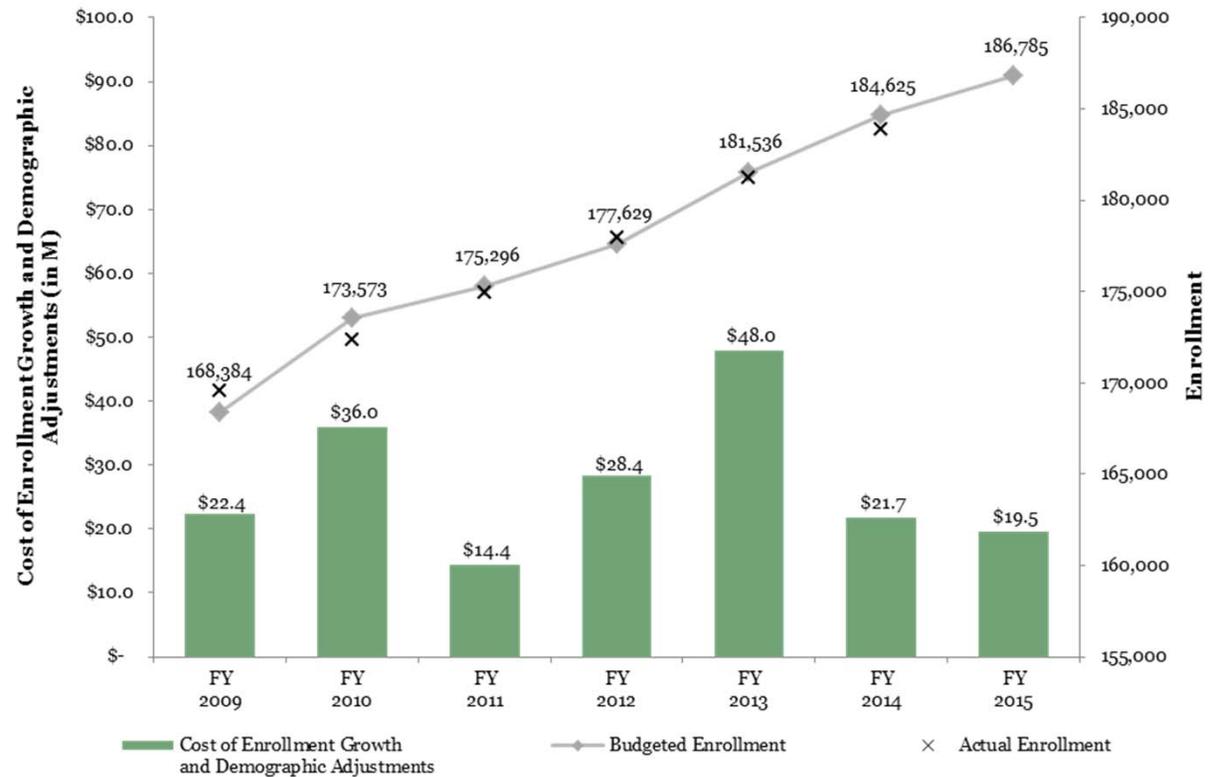
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- **From the FY 2008 to FY 2015 Approved Budgets, School Operating Fund (SOF) expenditures have increased by \$312.8 million**
 - This represents an average annual increase of 1.9%
 - Enrollment growth during this same time period increased by 21,942 an average annual increase of 1.8%
 - Total SOF expenditures fell in FY 2010 and FY 2011

FCPS' budgeted enrollment for FY 2015 is an increase of 21,942 students as compared to the FY 2008 budgeted enrollment

In FY 2015, the cumulative annual cost for new students and demographic changes since FY 2008 exceeds \$190 million

FCPS Enrollment Growth since FY 2008

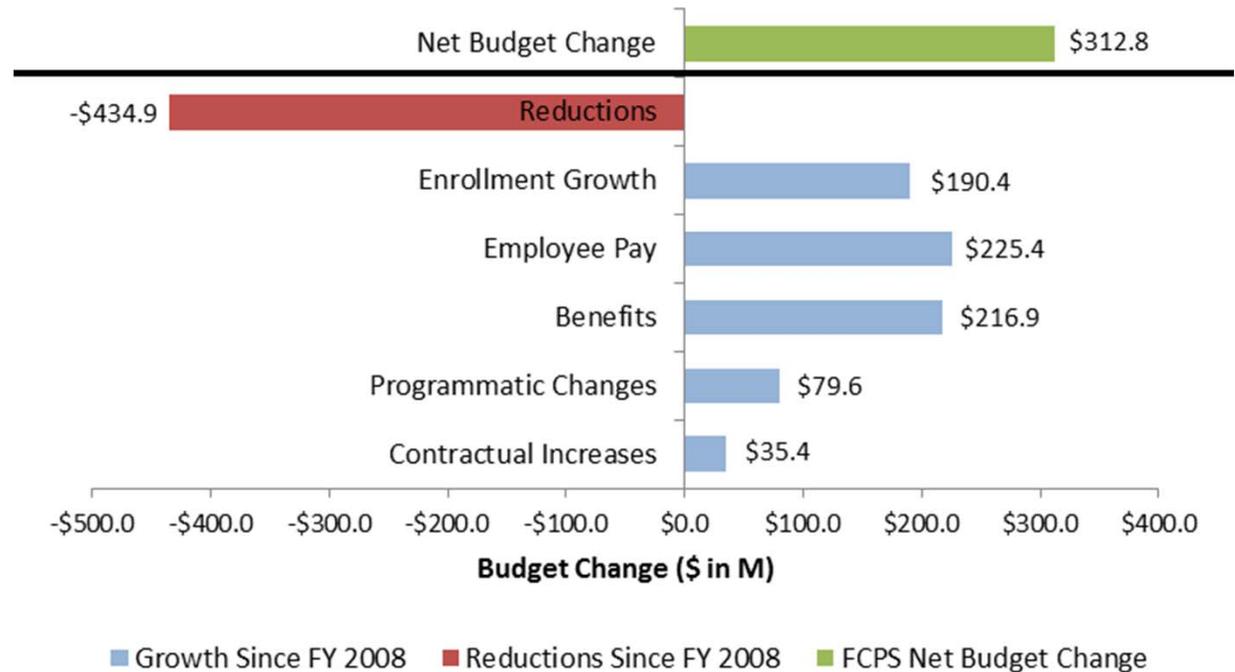


FCPS Expenditure Growth since FY 2008

The budget increase since FY 2008 of \$312.8 million is an average annual increase of 1.9 percent

The budget grew primarily to cover enrollment growth, employee pay, and the rising cost of health care and retirement

Reductions of \$434.9 million helped offset budget growth



Budget Reductions

- **Since FY 2008, FCPS’ budget reductions total nearly \$435 million and more than 2,175 positions eliminated**
 - Class size was increased 3 times for an increase of 1.5-2.0 students per teacher
 - Significant reductions to central and school support
 - Programs were eliminated or redesigned

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

- **FCPS completed the State School Efficiency Review which identified a net savings over the next five years, if all recommendations were fully implemented, of \$10.8 million**

Employee Compensation

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- **Since FY 2008, compensation adjustments related to step and market scale adjustments (MSA) total \$225.4 million**
 - Employee step and MSA increases represent 30.1% of all increases during this timeframe, despite no step increase in 4 of the fiscal years; no market scale adjustments in 3 of the 7 years; and providing a delayed step in FY 2015
- **Since FY 2008, increases related to retirement, health insurance, and life insurance rate increases total \$216.9 million**
 - Benefit rate increases account for 29.0% of all increases
 - Retirement rate increases would have been higher if the Virginia General Assembly had not deferred a portion of the recommended VRS employer contributions by implementing a fourth quarter holiday in FY 2010, and by setting lower employer rates in FY 2011 and FY 2012

Employee Salary Increases

In FY 2009, average salary increases totaled 4.5 percent which included a step increase of 2.5% and an MSA of 2.0%

No increases in FY 2010 and FY 2011

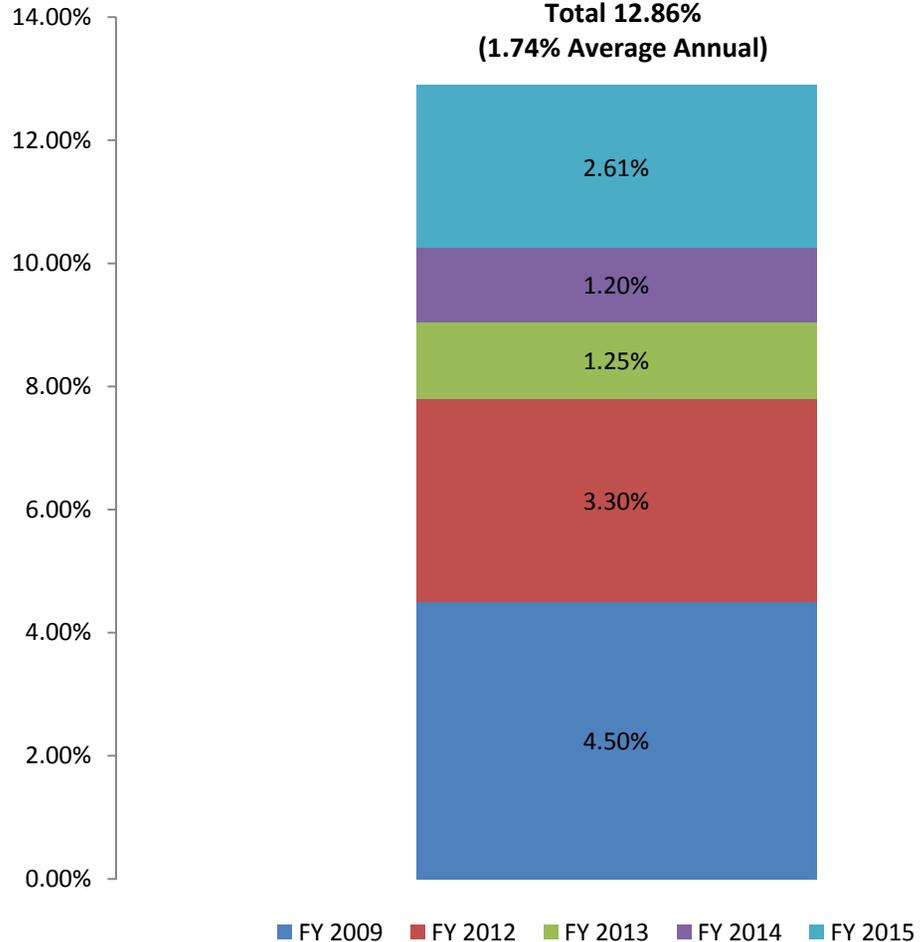
FY 2012 included a 2.3 percent step and a 1.0 percent MSA

FY 2013 included a 1.25% MSA

FY 2014 included a 2.0% MSA effective January 1, 2014

FY 2015 included delayed implementation of step by 2 months for most employees

Base Salary Increases Since FY 2008 Approved



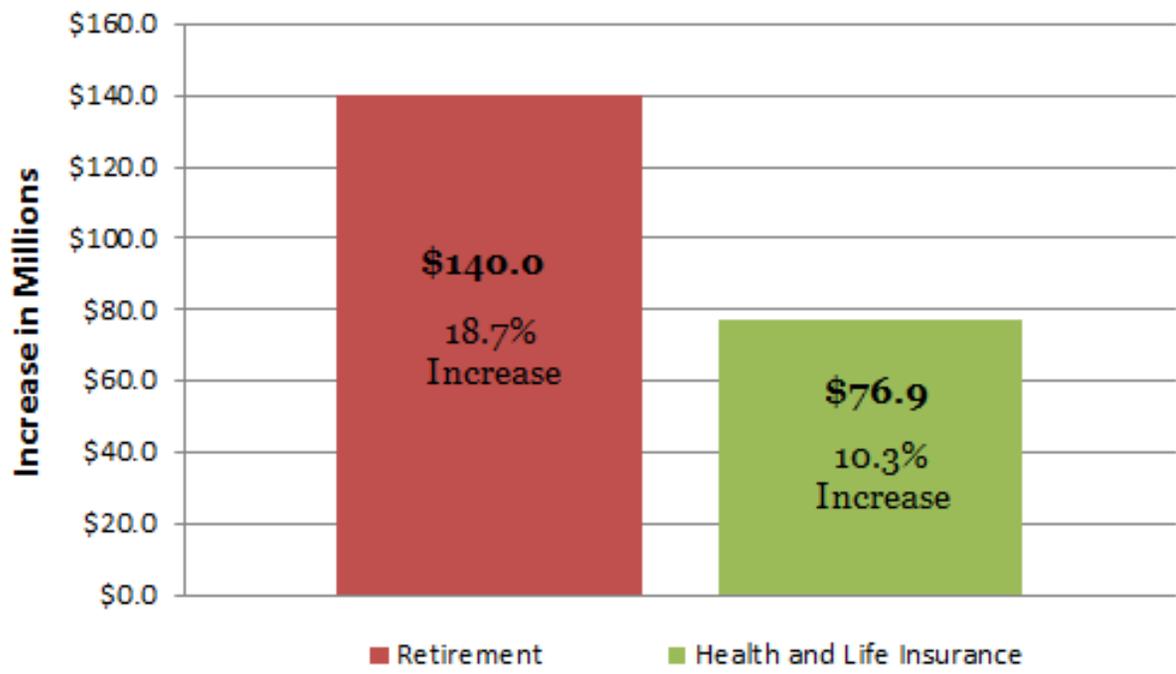
Benefit Increases

Retirement, health, and life insurance have driven increases in FCPS benefits over the past 7 years

Retirement increases were primarily due to rate changes and are impacted by the Virginia General Assembly's decision to defer a portion of employer contributions in FY 2010 (Q4), FY 2011, and FY 2012

In FY 2008, FCPS contributed \$10,824 per year for each employee with family coverage in the medical PPO plan, as compared to \$14,488 per year in FY 2015

FCPS Benefit Increases FY 2009-2015 (\$ in Millions)



Percentage increases cited are over the FY 2008 Approved Budget.

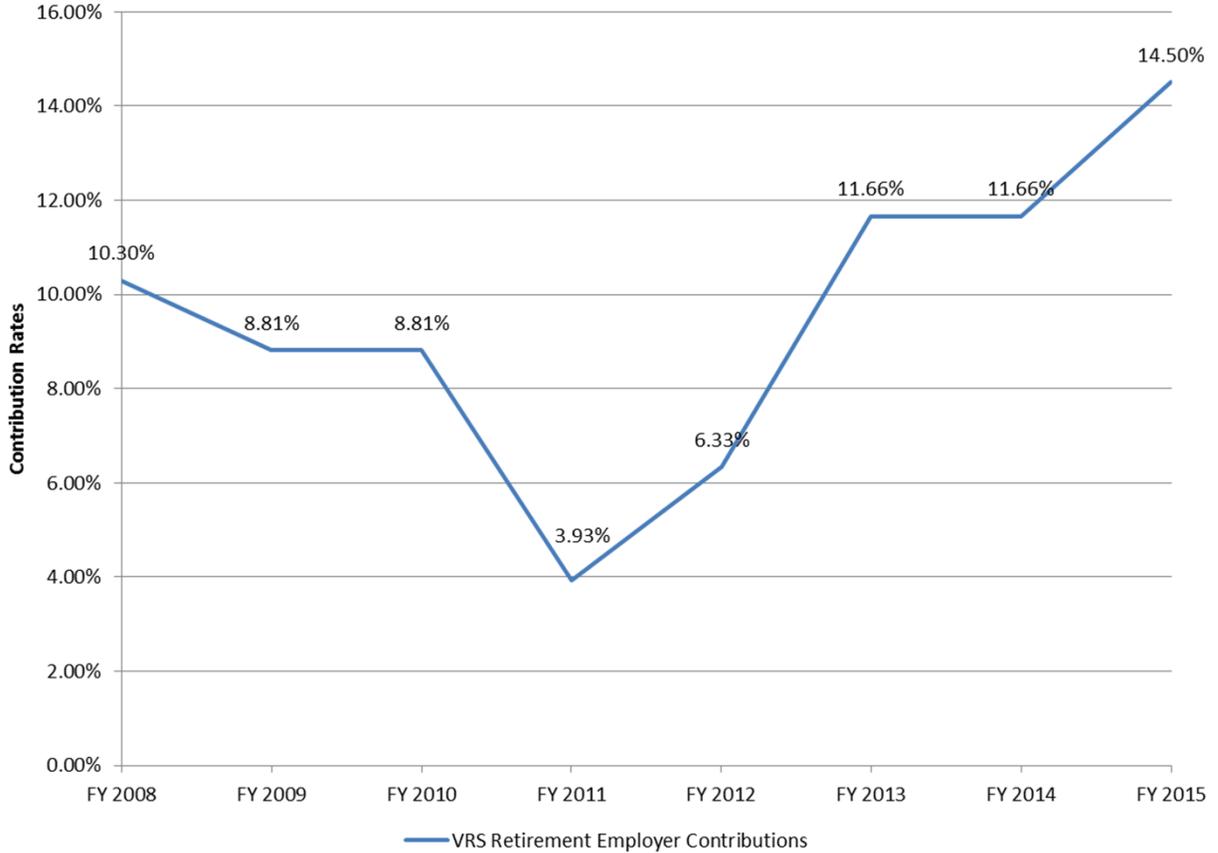
Virginia Retirement System

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 and rates are expected to exceed 17 percent

VRS funded status for teachers as of June 30, 2013 is 62.1 percent

VRS Employer Contributions FY 2008 - FY 2015



Other Programmatic Increases

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- **Since FY 2008, major program increases include**
 - Full-day Kindergarten expansion to all schools
 - Opened 3 elementary schools and 1 middle school
 - Needs based staffing expansion to middle and high schools
 - Expansion of early childhood funding
 - Expansion of World Languages to some elementary schools
 - Discipline support
 - SOL on-line testing
 - Priority School Initiative

FY 2015 Authorized Positions

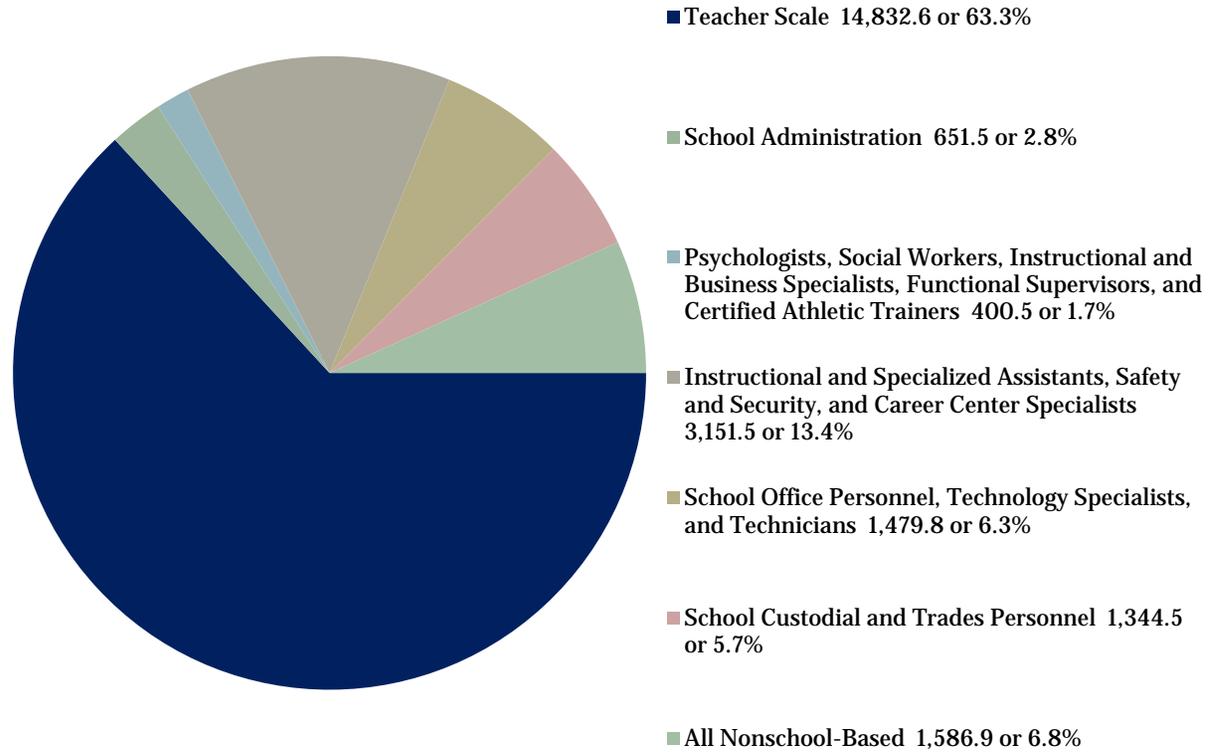
FY 2015 school-based positions total 21,860.4 and represent 93.2% of total operating positions

School-based positions are in the classroom and school buildings directly serving the needs of students

FY 2015 nonschool-based positions total 1,586.9 and represent 6.8% of total operating positions

Nonschool-based positions deliver central support to schools, such as recruiting and hiring, payroll and accounting, transportation and maintenance, student services, curriculum development, and school information services, among others

Authorized Positions



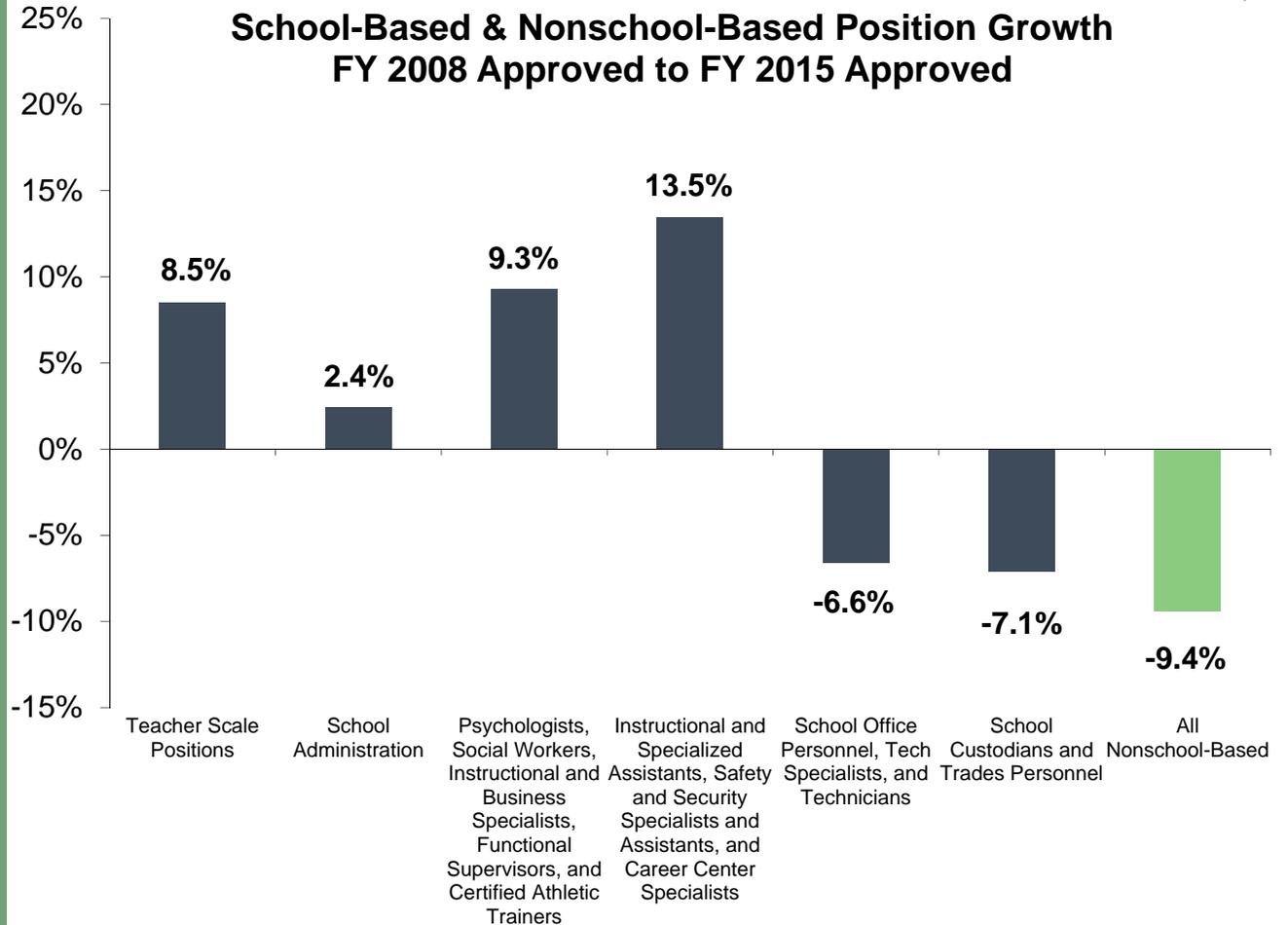
Position Growth

Between FY 2008 and FY 2015, nonschool-based positions decreased by 164.8, or 9.4%

During that same time period, school-based positions increased by 1,377.3, or 6.7%

The decrease in nonschool-based positions is due to budget reductions. School-based positions were reduced, but the cuts have been offset by positions added primarily due to rising student enrollment and demographic adjustments

FCPS is committed to dedicating resources to the classroom

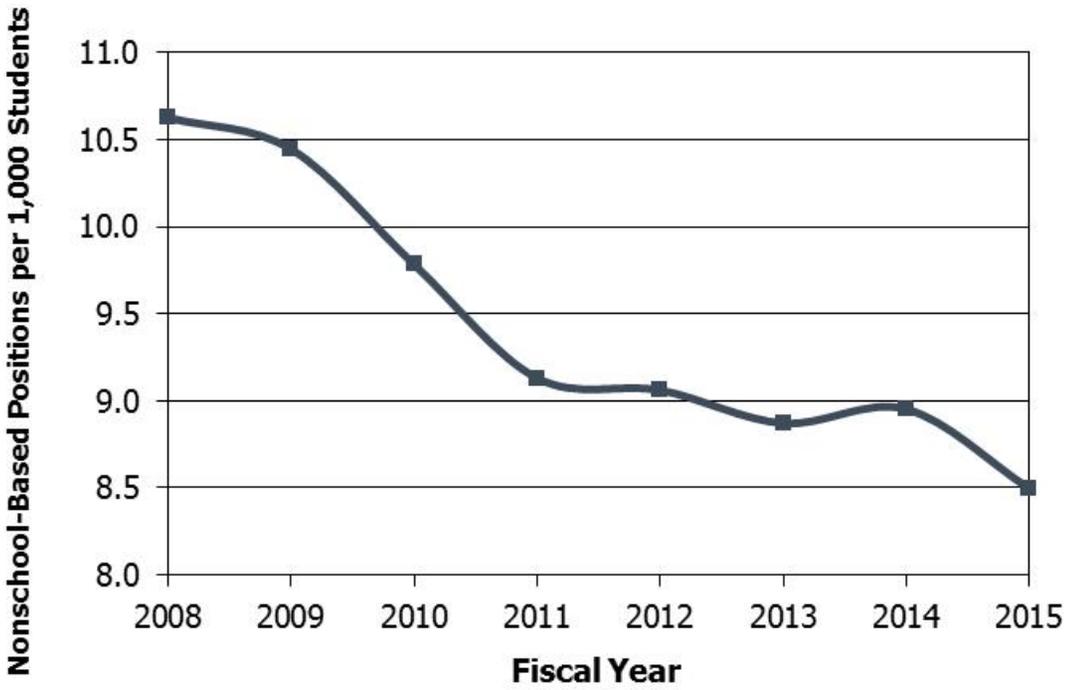


Nonschool-Based Positions to Students

Between FY 2008 and FY 2015, the ratio of nonschool-based positions per 1,000 students decreased from 10.6 to 8.5

Despite rising costs, every effort is made to redirect existing resources to the classroom

Ratio of Nonschool-Based Positions to Students
2008-2015



Cost Per Pupil

Between FY 2008 and FY 2015, FCPS' cost per pupil only increased by \$112, or 0.8 percent

FCPS Cost Per Pupil Over Time

